



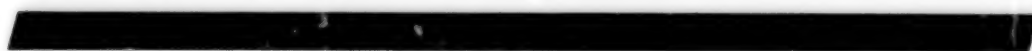
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FBIS-USR-94-045

28 April 1994



# ***CENTRAL EURASIA***



# FBIS Report: Central Eurasia

FBIS-USR-94-045

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**Potential Ethnic Turmoil in Russian-Kazakh  
Border Oblasts Eyed**

944Q0298A Moscow NEZAVISIMAYA GAZETA  
in Russian 8 Apr 94 p 5

[Article by Ilya Lotkin under the rubric "On the Other Side": "Siberians Take Care of the Kindred Folk"]

[Text] Omsk—Reports on the aggravation of interethnic tension in Northern Kazakhstan have recently been published in the mass media of the city of Omsk with both a progovernment and oppositional orientation. Directive No. 31 of the minister of justice of the Republic of Kazakhstan, which suspended the operation and revoked the registration of all Russian communities in that country, was the reason for the above. This caused an extremely negative reaction in Omsk and spawned a new surge of territorial claims against Kazakhstan. In particular, the article of S. Suprunyuk, chairman of the Duma of the North Kazakhstan Oblast Russian Community entitled "...And Then the Nation Loses" (OMSKOE VREMYA, No. 3, 1994) plays on the historical fact that until 1921, Petropavlovsk was an uyezd seat within Omsk Gubernia, and that until 1936 all of Northern Kazakhstan was a part of the RSFSR with an autonomous status. However, specific facts cited in the newspaper—the breaking up of the republic-wide conference of the Slavic cultural society Lad in Pavlodar and the Cossack circle in Petropavlovsk by the authorities of Kazakhstan, as well as judicial prosecution and the ban on the Russian-language newspapers ZNAMYA SVOBODY, GLAS, and VOZNESENSKIY PROSPEKT in North Kazakhstan Oblast—testify to infringements of the rights of the Russian population in Northern Kazakhstan that have actually occurred.

The local oppositional press has published a declaration of the deputy faction Russian Way of the Russian Federation State Duma (Yu. Vlasov, S. Baburin, A. Lukyanov, and others). In particular, the declaration says: "The Russian way in interethnic relations means bringing back the relationship of friendship and fraternity among all peoples populating an ethnically diverse Russia, removing all obstacles to the development of national culture, language, and educational system...Russia as a united, genuinely federated state which consistently translates into life the norms of the Federation Treaty...Russia as the main attracting force for the recreation of a new, voluntary unity of peoples residing in the territory of the erstwhile USSR."

Against the background of these events, the formation of the Siberian Cossack Host out of various Cossack societies that recently occurred in Omsk will create an unpredictable and explosive situation in our region; the Host will soon become a component of the Siberian Military District. If emergency measures are not taken, after a certain period of time Omsk and Kurgan Oblasts of Russia, as well as Pavlodar and Northern Kazakhstan Oblasts of Kazakhstan may become the zone of a broad-scale interethnic conflict. As I see it, a way out of the existing situation is found in forming a united economic space out of Omsk, Kurgan, and Tyumen Oblasts of Russia and Northern Kazakhstan Oblast of Kazakhstan, even more so because the Trans-Siberian Main Line that connects Siberia with the central regions of Russia runs through this territory, and in implementing to the full extent Decree No. 205-II by the head of the Omsk Oblast Administration, dated 1 June 1993. In particular, the decree refers to the need to create zones of free crossborder trade in the rayons of Omsk Oblast adjacent to the Republic of Kazakhstan and the establishment of free enterprise zones in Omsk Oblast.



## ECONOMIC &amp; SOCIAL AFFAIRS

**Anti-Inflation Policy of Chernomyrdin,  
Gerashchenko Criticized***944E0716A Moscow NEZAVISIMAYA GAZETA  
in Russian 13 Apr 94 p 1*

[Article by Ivan Zasurskiy: "There Are Two Inflations in Russia: the Official One and the Real One; The Increase in Nonpayments Will Either Destroy the Myth of a Drop in Inflation or Will Put an End to Russian Industry"]

[Text]

**On the Eve?**

Official inflation indices continue to amaze the observer with their order and downward trend. It will be recalled that in February inflation did not exceed, according to these data, 10 percent, and in March—9 percent. Sergey Dubinin, acting minister of finance, expects a further drop in the rate of inflation. Viktor Gerashchenko came out with a statement that the Central Bank will possibly lower the rate of refinancing to 100-110 percent in the second half of the year, that is, by a factor of two. On Friday a memorandum of the government and the Central Bank on economic policy was signed. It supports benchmarks of 7 percent monthly inflation by the end of the year set by the prime minister. And the IMF, in the person of the administrative director, treated the policy of the Russian prime minister kindly, promising to express his approval of the policy being conducted at a meeting of the board of directors: The government has maintained its monetarist priorities in the fight against inflation.

Meanwhile, the grounds for choosing this policy, and indeed Russian inflation itself, deserve a lot of attention. What, nonetheless, is the real rate of inflation in Russia? Most likely, no less than 15 percent (taking into account the so-called "debt" prices).

Inflation is calculated by the government center for economic conditions by sectors. The increase in consumer prices in the market is really less than 10 percent per month. But the increase in prices for services to the population in March totaled about 15 percent, and the increase in energy prices—13.9 percent; moreover, this indicator even seems surprisingly low for energy sources—by comparison with the previous month of this year.

Thus, as before in the fight against inflation, production and the agro-industrial complex, which deal in the sluggish consumer market, are the most suppressed—they are affected by demand restrictions and the competition of imports. "The obviously increased" producer prices that, on the one hand, are being squeezed by an almost stable ruble and imports and, on the other hand, energy sources, judging by everything, are not used in calculating inflation, inasmuch as formal calculations on them are not conducted, but only "mutual indebtedness emerges."

Proving to be extremes, industry and landowners do not perform the role of extras (the agro-industrial complex,

together with the coal miners, draw on the budget generously); however, with industry the government prefers to resolve problems individually. What is left of plants everywhere and the increase in hidden unemployment are reflected in the White House only by meetings on problems of the giants like ZIL [Likhachev Automobile Plant].

Demand restrictions, whether being conducted by virtue of the inertia of the government machine or because of a sincere conviction of their necessity (it was Fedorov who shamed the Red directors), have led to the formation of hidden inflation; that is, an overhang of a mass of accounts between enterprises (nonpayments) not reinforced by money. A situation reminiscent of the summer of 1992 is being created when, after the Gaydar "squeeze," the sum of nonpayments amounted to 2.5 rubles [R] for each ruble enterprises had. Today this figure is 30-40 kopeks less; that is, the ratio is more than 1:2! "Unaccounted money" not only continuously makes a mess of the budget for tax revenues (in the first quarter less was collected than predicted by a factor of three), but it also generally removes the feeling of the severity of economic policy. For those who have not forgotten the inflationary "splash" (i.e., the emergence of tendencies that were not taken into account and that were not counted as inflation before mutual offsets) in the fall of 1992, the government's dreams of vouchers and other attempts to give the appearance that money can be done without in payments are quite indicative. And if Sergey Dubinin does not succeed in making this monetary overhang zero without eliminating industry as a class (after which, naturally, their debts to one another will disappear, and "debt prices" and inflation will be calculated by the movement of prices on the consumer market, where imports that are influenced only by import duties and the ruble rate of exchange dominate), given the assistance of an immediate all-Russian distribution of vouchers and the development of commercial credit, then even Viktor Gerashchenko will go down in the history of the Russian state as the grave digger of native producers, despite all his earlier services in their defense. Because if there is no method of resolving the problem of nonpayments without increasing the monetary mass, then it will not be resolved, because the method of resolution contradicts the policy of the government, and this means digging a hole for the economy. (But the government with the Central Bank has already sworn in a memorandum not to produce mutual offsets; under pressure from Yeltsin, import duties are about to be revised.)

An overall illusion, engendered by official figures, not only replaces reality in the estimate of inflation itself but also becomes a picture placed for us in the window depicting an idyllic scene in the economy everywhere.

We can vouch even less now that the dollar exchange rate established by the Central Bank reflects reality. After the introduction in Moscow of the new tax collection at the MMVB [Moscow Interbank Currency Exchange], the volume of trades there fell by a factor of three to four, and the main transactions are conducted now on the interbank market. Talks about economic integration in the CIS remain just that—there are no concrete results even with

Belarus. "Experts" propose to conduct agrarian reform until the sowing campaign and to establish a system other than the American federal reserve system (only in the United States is there such a variant of the Central Bank). Privatization is being conducted according to the old scheme, although with greater deviations than previously—both in Moscow and in the regions. No mention has been made of an industrial and complex social policy, it also does not exist in the budget, bankruptcies are expected like common manna, and Oleg Soskovets is already being shot down by "little tin soldiers."

A paradoxical situation is developing: The forces that, it is generally admitted, previously used slogans of liberalism as a cover but then did something else are now being covered by this "something else," and they are creating liberalism exactly at a time when the voters and the producers are fighting against it, but the so-called reformers (from among the radicals) have ended up in a parliamentary minority.

There are paradoxes and paradoxes, but the creation of the illusion of the success of reforms can be interpreted in two ways. Either Chernomyrdin with Gerashchenko decided to pretend to be Gaydar and Fedorov—or the illustration of the success of economic transformations is needed for political use, whether it is for speeding up the signing of a memorandum on accord and/or the acceleration of integrational processes.

#### **Federal Service Created To Prevent Money Flow Abroad**

944E0705A Moscow TRUD in Russian 13 Apr 94 p 2

[Interview with Aleksandr Garyevich Nuzhnikov, deputy chairman of the Federal Service on Currency and Export Control, by Igor Ostrovskiy; place and date not given: "Currency Is Accumulating Beyond the Cordon; a Federal Service Was Established in Russia To Prevent the Plundering of the Country"]

[Text] Western experts think that Russia is shortchanged \$12-\$13 billion annually for commodities sold abroad. Therefore, specialists of the IMF and the International Bank do not always believe our leaders who give assurances that Russia is not in a position to either pay debts or do without outside assistance in the structural restructuring of industry. How is the money flowing abroad to be returned? The answer to this question is supposed to be given by the Federal Service on Currency and Export Control. Aleksandr Garyevich Nuzhnikov, the first deputy director of the service, talks about this.

"It must distress you as well, and many others. It will hardly be possible to return the dollars that have already accumulated in foreign banks to improve our economy. There are no domestic mechanisms or international agreements for this. We will have to build a normative-legal basis that henceforth will not allow even one Russian kopek to accumulate anywhere whatever except in the state treasury."

[Ostrovskiy] Aleksandr Garyevich, this means once again rules, instructions, methods... But specialists assure: Even without this, we are swamped by controlling and regulating documents!

[Nuzhnikov] I agree. The amount of paper is growing like a snowball. But the state of affairs, unfortunately, is almost unchanging. Many instructions, especially departmental ones, duplicate each other. At the same time, they do not provide answers to other questions. Do you know who works today on control in the currency-export sphere? The Ministry of Foreign Economic Relations, the Ministry of Finance, the Ministry of Economics, the Main Customs Administration, and the Central Bank. But too many cooks spoil the broth. Inspections show that there are many holes in the legislation through which money flows past the treasury.

[Ostrovskiy] For example?

[Nuzhnikov] The splitting up and transfer of quotas. Even though this is forbidden, quotas for the export of strategically important raw materials are endlessly transferred from intermediary to intermediary until the possibility of monitoring the transaction vanishes. And accounts get blurred because of the great number of banks. There is no reliable control over the returnability of the currency to the country.

[Ostrovskiy] Can you propose another procedure?

[Nuzhnikov] There already are outlines for new rules. The right to export strategically important commodities will be granted only to major exporters. Strong, qualified, authorized banks will handle these operations. On government instructions we will verify the fulfillment of quotas allocated last year for the export of oil and the export operations of the Magnitogorsk, Cherepovets, West Siberia, and Norilsk metallurgical combines. We will examine conditions of contracts, their fulfillment, and the return of the share of currency belonging to the state. When we finish the work, a lot will be clarified, and we will be able to make the new documents more accurate and reliable.

[Ostrovskiy] There are a lot of commercial structures in the country that are engaged in currency operations without the right to them. Will they also fall within your field of vision?

[Nuzhnikov] What is first and foremost for us here is not so much punishment of the guilty as creation of a legal base. You, for example, know about the discussions concerning the firm GMM, which accepts hard currency and rubles at interest from physical and juridical persons without having a bank license. A lot can be done today, there is no legal base. However, it is not only this firm, but any commercial bank can cash any amount of hard currency and give permission for its export.

[Ostrovskiy] But are you not afraid of being accused of restoring a state monopoly in currency-export operations and thereby of hampering market reforms in Russia?

[Nuzhnikov] State control is compatible with the market. In France, currency control is a function of the customs

service as a subdivision of their finance ministry. England had strict control over currency-export operations until it created an orderly system of laws that protected the interests of the state. I think that we will take specifically the English experience as a basis.

[Ostrovskiy] Will there be a long wait for the new legislation?

[Nuzhnikov] In the near future, we will submit to committees of the State Duma drafts of supplements and amendments to laws: "On Currency Regulation, Banks and Banking Activity," and to the Criminal Code and the Civil Code. After all, there is nothing in today's legislation except for the notorious Article 80, according to which anyone can be made answerable. Or there is also this kind of a passage: Violations and those guilty have been found. Who will recover that which belongs to the state? Who is confiscating property and selling it? In our opinion, such powers should be assigned to tax police.

[Ostrovskiy] In a word, the immediate task is to perfect the legislation. Where will you get the people for such work?

[Nuzhnikov] There are no specialists with this kind of profile in the country. We are learning and learning. Primarily specialists of the former Gosplan [State Planning Commission] and other state services come to us. Former state employees who have experience in work in commercial structures are especially valuable.

**Russia undoubtedly needs a federal service that is capable of weaving a dense net from the laws and rules in order not to let even one kopek into foreign borders. But there is something in the plans of the managers of this service that compels one to ponder. First of all, the desire to subordinate all and everything that concerns currency and export to the state and its structures. Has the experience of Ukraine really not taught anything, where a similar practice could only aggravate the crisis in the economy and finances? Also not understandable are the hopes for future legal acts as a means of fighting violators. After all, even today's legislation makes it possible to make criminally answerable firms that work with finances and currency without a license of the Central Bank. God forbid that the new structure sees its purpose only in petty control and guardianship over exporters, banks, and businessmen.**

#### **All-Russian Exchange Bank Official on Role of Central Bank**

944E0715A Moscow BIZNES I BANKI in Russian  
No 12, Mar 94 pp 1, 2

[Article by Vladimir Petrovich Rasskazov, deputy chairman of the Board of the All-Russian Exchange Bank, under the rubric "Viewpoint": "The Central Bank of Russia Should Establish the Rules of the Game"]

[Text] The theory and practice of world economics confirm that when changing a political and economic system in any state, the first stage of reforming the entire economy should be a reform of the banking system. As soon as the banking system in Russia really adapts to the market economy and assumes civilized features, the economic reforms will be set

in motion. This is the opinion of the author of the article published below, who in the recent past was deputy chairman of the Central Bank of Russia and is now deputy chairman of the All-Russian Exchange Bank, Vladimir Petrovich Rasskazov.

How should the banking system be in our country? Recently the newspaper BIZNES I BANKI ran a well-researched article which contains an answer to this question (A.V. Molchanov and A.M. Tavasiyev, "The Banking System of Russia: What Should It Be?", BIZNES I BANKI No. 2, 1994). The article's authors sketch out the basic features of the banking system toward whose creation we should strive, perceiving it as having two levels with a certain amount of specialization of sublevels. They also indicate the requirements for individual parts of this system. While fully supporting the concept presented there, I would like to touch upon several important aspects of our banking future.

In order for the banking system, like the state of which it is a part, to be monolithic, it must have a foundation that can bring all of its parts together into a unified whole. Such a foundation—the financial-monetary system—of course, is unified, with a unified currency, and unified rules of the game pertaining to money. And these rules can only be established by the Central Bank—the sole regulator of the system.

If everything is more or less comprehensible regarding commercial banks as parts of a unified system, in my view there are many problems with the Central Bank. Let us begin with the fact that the Central Bank has 85 of its own administrative entities in various areas and regions of the country. And this means that the Central Bank is practically uncontrollable. Therefore significant changes are needed here. Why not do this, for example: Have the main branch of the Central Bank in Moscow and a maximum of 9-12 regional branches, each of which, in turn, would have direct jurisdiction over 8-12 subregional branches—according to the principle of the Sovnarkhozes [Soviets of People's Commissars] of Khrushchev's time. Incidentally, the Federal Reserve System of the United States was built according to this principle. As for the apparatus of the Central Bank, it can be cut by at least half—because its structures are poorly controlled as well. They are bloated with auxiliary personnel, they have a tendency toward further growth, and there is a duplication of control and management functions.

Today our Central Bank has not yet ceased to be remind one of a former branch of the USSR Gosbank [State Bank]. We must prohibit it from directly extending credit to financed entities. Yet to this day the Central Bank has an investment administration. It should not have such subdivisions—after all, the Central Bank should engage in refinancing commercial banks. If the state decides to build something or implement some large program, the Central Bank should issue special-purpose credit to the state or transfer these funds to commercial banks, and they will do the direct investing. But since the Central Bank issues credit, it should have a powerful organ controlling the activity of commercial banks. And here is where conflicts



arise between the Central Bank and the commercial banks. The latter do not like it when somebody carefully oversees them. Recently, for example, the leaders of one well-known bank stated that they would not allow anybody from the outside into their bank, including representatives of the Central Bank. This, of course, is wrong because our Central Bank, like central emission banks throughout the world, has every right and obligation to oversee the commercial banks with respect to any aspects of their activity. How else could it be? When the Central Bank grants permission for the opening of a commercial bank, how can it tell its future clients that, having decided to open this bank, it takes responsibility for it and therefore they can invest money in it without worrying. And if the Central Bank acts as the guarantor of the commercial bank, it must know everything about it. Protection of confidential information received by the Central Bank from the commercial bank is another matter—here the parties must reach some kind of agreement between themselves. In any case, this can be regulated today.

With all the achievements in the regulation of relations among the parties, dissension among them will not cease until there is a law directly regulating these relations. I have in mind a so-called bank act which defines the problem of banking secrets and the nature and procedure whereby commercial banks convey information to the Central Bank. In other words, this document must determine the entire policy for overseeing the activity of commercial banks and all procedures for relations among the parties. In my view, it would not be out of place to create such a legislative document regulating relations between commercial banks and their clients as well. Only then will the Central Bank become a guarantor of the protection of the rights of clients, including the right reimbursement for damages caused to them. And the Central Bank, of course, must have special insurance funds and reserves in the event that the commercial banks go bankrupt. That is, these funds could guarantee the operation of the entire banking system. And no commercial bank could even think of encroaching on these funds. Moreover, the Central Bank, like the commercial banks, must bear responsibility if there are cases of "laundering" of money used in criminal activity. And all this should be backed by legislation.

As concerns the credit-monetary policy, I see the main tasks here as implementing it through the establishment of norms for reserves, liquidity, currency regulation, the discount rate for centralized credit (and it should be at least higher than the rates of inflation at any given moment) and others. As one of the authors of banking legislation, the Central Bank must establish these norms for commercial banks, and in order to control them effectively it must have feedback in the form of statistical information. Consequently, the country's main bank must constantly be gathering and generalizing statistics on the banks, which at the same time will serve as a basis for management of the national economy. Central Bank statistics are the most precise and accurate figures with valuation in rubles. Incidentally, the Central Bank should introduce centralized norms for banking statistics, since

sooner or later Russian banking institutions will have to "merge" into the world banking system. Of course, this must be preceded by a transition to unified international bookkeeping standards. And it is still just being started, but even now we have a strange picture: Each commercial bank has its own plan for accounts, and sometimes they are extremely far removed from what is recommended by the Central Bank. It is hardly necessary to convince any specialist of the importance of introducing standardized international accounting and reporting documentation. And it is also necessary to standardize documents not only in form and content but also in size so that they will be "readable" by all machines—in Russia and abroad. I have had occasion to hear from leaders of certain commercial banks that they intend to introduce their own methodology for settling accounts. This cannot be allowed. The Central Bank must provide this methodology for the other banks. Otherwise this will be like creating some kind of separatist state with its own laws within the framework of our country. Therefore proponents of this kind of "banking separatism" are either incompetent people or people who are deliberately trying to make it easier to conduct certain illegal operations.

The interests of the matter demand also the development of a system of economic indicators which would be included in the primary accounting documentation and the settlement-payment documents, including checks and credit cards. These indicators should become the basis for statistical reporting as well. Without doing this the Central Bank cannot solve a single important problem, including the problem of nonpayments. This is the basic preparation of the so-called software. Unfortunately, as it were, this matter is not even off the ground yet.

The next important problem is the organization of settlements. I am convinced that there is no longer any alternative to cash settlement centers. But we must immediately start to optimize and standardize them. But sometimes things are reduced to the absurd. For example, in Leningrad Oblast, with a population of approximately 6 million, there are four to six cash settlement centers in operation that complete settlements in three days. But in Krasnodar Kray, with a comparable population, there are 38 cash settlement centers which cannot complete their work within acceptable periods of time. The picture is the same in Altay and also many other places. The quantitative distribution of cash settlement centers throughout the oblasts of the country has a striking lack of uniformity: from three to 54! And, after all, cash settlement centers, from the standpoint of common sense, should span rayons, with one center for every three to four rayons. They should have communications for delivering settlement documents taking into account the availability of storage facilities for cash reserves, transportation mainlines, and information networks. The Central Bank must not give anyone a system of settlements. In the event that alternative centers are created, copies of all postings must still be entered into the central computer of the Central Bank. What are alternative centers? I will explain with an example. Let us say that three or four banks create a clearing center on the basis of

one of the commercial banks and process clearing documents for a group of commercial banks in one of them. A duplicate of all postings must then be sent to the Central Bank. Otherwise it will not be able to get an idea of the condition of monetary turnover, the situation with cash money, or how things are going with credit in the country. And as a result it would be impossible to establish an optimal discount rate or a realistic exchange rate for currencies. And a realistic exchange rate for currencies must be established with a special information system (analogous to the REUTER one) which would include all commercial banks working with currency and each day (and best of all in real time) would submit all information on currency operations to the Central Bank. The procedure followed now for establishing the exchange rate through the exchange creates preconditions for manipulating currency exchange rates in the interests of particular political and financial groups.

I must not fail to touch upon several more essential aspects.

Today many commercial banks (about 90 percent of them) are largely state banks. Their charter capital was formed, as a rule, from funds of state enterprises. I think it is time to solve the problem of privatization of these banks and return of state funds to the budget or to the state treasury—taking into account the inflation index during all the time of the withdrawal of state funds. We must not forget that the money lying in these banks as charter capital is our public money. Nothing terrible will happen here—after all, these banks have gotten fairly firmly on their feet. But here it is up to the Central Bank and parliament, which must adopt the corresponding legislative provisions. And the funds returned by the banks will be sources of investment in industry.

In order for our Central Bank to operate normally I think it has to have in its structure a powerful analytical subdivision which would analyze the national economy and the economy of the commercial banks. Moreover, it would be expedient to create under the Central Bank a public supervisory council with the right to make recommendations—consisting of representatives of science, industry, and commercial banks. The task of the council would be to conduct expert appraisals of important decisions of the Central Bank as is done abroad. I am categorically against the idea put forth by certain commercial banks of turning the Central Bank into a joint-stock company. In the present transition stage with our unruly market environment the Central Bank must remain a state institution. The Savings Bank of Russia, with more than 50 percent of its shares belonging to the Central Bank, is another matter. It is a monopolist subject to immediate privatization with the formation of regional, municipal, or territorial banks based on it. But today it seems to be advantageous both to state bureaucrats and to the Central Bank to have this kind of pump for extracting money from all of Russia, and they certainly do not spend all of it on the regions. And in the regions, because of the shortage of monetary resources, separatist sentiments are arising.

We absolutely must define and create a system of strict currency regulation. So far we have passed up important elements of this system—access of foreign banks for operation on Russian territory. And we should have done this for two reasons. First, hard currency would not then leak out of the country. What is the point in transferring it, say, to France if this money could be put in the Russian branch of the same French bank. The result would be the same, but it would be achieved at less cost. Second, foreigners would create healthy competition on our domestic market for banking services and would demonstrate the art of working, which would be to the advantage of domestic banking. But this step must be accompanied by a certain protectionism of these banks on the part of the Central Bank. Allowing foreign banks on our territory should be restricted and the privilege should be granted to only certain banks with good reputations that are significant and have a developed world infrastructure. Moreover, these banks could help their Russian colleagues to train bank specialists.

We will not change much unless we adhere in practice to the well-known administrative postulate: A new business must be created by new people; reforms cannot be conducted through the hands of those who are interested in retaining old procedures. It is necessary, for example, to promptly renew the administrative apparatus of the Central Bank, bringing in young talented and highly educated specialists. Chiefs of oblast special bank branches who have been working in this system for 15-20 years, as a rule, are fairly conservative people. Their mentalities were formed at a different time and they will never become market players in the best sense of the word. The Americans say that if you are 35 years old and you do not have experience working with a computer, you will not acquire it because you are simply afraid of the computer. Thus for these people the "fear effect" will not allow them to master new banking technologies.

Now about work with cash money. The Central Bank should make some changes in this area as well. In my view, the Central Bank must return to the "Russia" checks. But they should be introduced gradually, being used at first in settlements with the population for durable goods only within the autonomous formations: The city or at most the oblast, when the main administration (city or oblast) is capable of developing a mechanism for the introduction of the checks and monitoring their migration. As for credit cards, for now they are acceptable in Russia only for businessmen and people who are simply rich. These cards will not soon become widespread in Russia. In order for credit cards to be in mass use it is necessary to have many things. For example, they must be produced in large quantities; it is necessary to have fairly costly devices—automatic teller machines; in stores, kiosks, cafes, train stations, airports, etc. there must be special devices for reading the information from the credit cards. All this will take a minimum of eight to 10 years. And the Russian mentality is not ready for them. That is, there are no alternatives to checks in Russia so far.

Incidentally, in the area of the introduction of an electronic payment system, like electronics in general, the

Central Bank must show patriotism. It should not provide money to support foreign firms by buying their technical equipment, but this money should be used to convert domestic enterprises so that they will master the output of mass banking equipment. And not only computation equipment but also automatic teller machines, devices for reading credit cards, and the main thing—sorting machines for processing checks.

We will have to switch to international standards in electronics. And if representatives of the European Community gather in Geneva to develop a technical policy and particularly to decide which banking equipment to buy, we are resolving this problem with extraordinary ease: Each bank buys whatever it sees. Whatever country its representatives have managed to get to, there they make their purchases. But this is fatal for Russia. We need standards for technical policy. Otherwise we will get ourselves tightly involved in an electronic system of settlements without really understanding it.

And the last thing. Today we are discussing the problem of reducing the budget deficit by having the Ministry of Finance sell precious metals to the Central Bank. I think that in this case the Central Bank would only increase the liquidity of its capital by issuing empty money or, rather, at the expense of its long-suffering taxpayers. In my view this is a political solution that will harm the country's economy.

#### **State Property Committee Official on Privatization Progress**

944E0717A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 14, April 94 p 1

[Text of speech by D. Vasilyev, chairman of the Russian Federation State Property Committee, given at the All-Russian Conference "Problems of Completion of Check Privatization and Development of the Stock Market" held in Izhevsk in late March: "Completion of Check Privatization: Problems of the Present and Future"]

[Text] Check privatization is coming to a close. What are the results of it? To what degree was the path of market transformations chosen the correct one? What did the citizens of Russia receive? What will happen with the check investment funds? The participants in the All-Russian Conference "Problems of Completion of Check Privatization and Development of the Stock Market" held in Izhevsk in late March sought the answers to these questions.

Today we are presenting an account of the speech made at this conference by the chairman of the Russian Federation State Property Committee [GKI], D. Vasilyev.

Privatization has taken place. By 1994 most Russians had become stockholders. Last year 39,000 enterprises were privatized, in all 86,000 enterprises since the start of privatization. Thirty-one percent of the enterprises were privatized through the creation of joint stock companies, and 69 percent—through their sale. As a result, large and medium-sized enterprises became truly private and the state's share in them is now less than 25 percent. Half of

the people employed in Russian industry work in these enterprises and half of the country's industrial potential is concentrated there.

So, half of Russia is already bourgeois, although the other half remains socialist. Our job in the remaining 3 months is to privatize 70 percent of all enterprises, turn Russia into a more-or-less bourgeois country, and create the foundation for continued progress toward private ownership and market trade.

At the present time, privatization encompasses all sectors of the national economy, including, despite the long-time opposition, the fuel and power engineering complex. The military-industrial complex has also embarked on privatization, and the proportion of enterprises banned from privatization there is only about 30 percent; the rest will be privatized, and most of those will undergo check auctions.

Despite the difficulties, more than 85 million checks have been collected. This is of course not enough to say that all the problems have been resolved. As we certainly assumed, the situation in terms of regions is very differentiated. Even now, against the general background there are 10-15 outstanding "peredovik" [leader] regions (that is the old term, but there is no other as yet) where the number of people employed in private enterprises is on the order of 69 percent. They include St. Petersburg, Samara, Sverdlovsk and Vladimir oblasts, Arkhangelsk, and others. In those places the question being resolved is not so much privatization as it is attracting investments. The enterprises are preparing for a second issue, developing business plans, and deciding questions of raising economic efficiency.

But the situation is more complicated in some regions. And accordingly certain social, economic, and political problems may arise there. These are regions where the number of checks collected is substantially lower. About 20 regions are included among those where less than 20 percent of the checks have been collected. The GKI's task is to provide them with all kinds of help. This is necessary since the population takes a fairly serious attitude toward the checks.

But just what problems related to this will arise in the near future? What is the situation regarding use of the population's checks?

Unfortunately, a large part of the population (this is an objective reality) have not used their privatization checks and are confused over how to do it. In accordance with Russian peculiarities, a large part of the population will go to give up their checks at the last minute. That is to say, if we do not take advantage of April and May to actively influence the behavior of people as investors, June will be a tense period for some territories. That means those regions where there are many checks and a sufficient number of privatized enterprises have not been readied. If we do not rectify the situation, disappointment awaits people. They will have the right to ask the question, why their vouchers were not supported with the necessary objects of investment.



But what must be done to avert the looming conflict?

The first direction is to speed up check auctions. In accordance with the instructions of Mr. Chubays, more than 160 of the largest enterprises in Russia are being put up for auction in May-June. Among them are more than six oil industry installations, Gazprom [Gas Industry], "Norilsknickel" [Norilsk Nickel], the largest nickel-producing monopoly enterprise, and most steamships. It is remarkable that for the first time military-industrial complex installations are being included in our schedule. They will be sold at interregional check auctions.

Apart from GKI activity, it is important to assess the results of the work at the local level. How are the opportunities being utilized for those enterprises which are being sold throughout the country's territory (for example, the Russian Joint Stock Company YeES [Unified Power System] of Russia)? Very poorly. That is precisely how we can describe the situation where a region participates in an all-Russian check auction and collects 100-200, a maximum of 1,000 checks, and the enterprises put up for auction are enormous. Usually four regions collect 75 percent of the checks (Moscow, St. Petersburg, Yekaterinburg, and Omsk). The rest of the regions do a poor job of taking advantage of these opportunities. The reasons are on the surface, as always. Information-explanatory work is being handled extremely badly, and there is not enough of it—people do not know the elementary things. But they must know them; namely, what is being sold, at what times, and where the application can be made.

A great deal depends on the local organs of power. We are going to survey the regions and find out how their organizational potential<sup>1</sup> is being utilized. We can no longer talk about how there are no enterprises for sale now. Every week 5-7 major enterprises are put up for auction and they are sold within a month. So on the order of 23-30 major enterprises will be sold at the same time. Accordingly, the effectiveness of the use of receiving points will be raised, and so on.

The second direction is regional check auctions. What is happening here? An ordinary person who makes rational judgments above all gives priority to local enterprises, since it is more convenient for him to participate in assembling stockholders, the location is more familiar, and the like. But, judging from the existence of plan schedules for regions (and there are now 55 of them in the GKI), by-no-means all territories are ready for this work.

If the process of privatization is analyzed from the standpoint of selecting possible ways to create joint stock companies, clear preference is given to the second variant which allows the labor collective to obtain the controlling bloc of stock. Three-quarters of the enterprises which became joint stock companies chose this variant of privileges. One often hears that such an approach closes off opportunities to influence an enterprise and control it. I do not quite agree with that. For example, in St. Petersburg the danger of the second variant does not particularly disturb anyone, since a simple process occurs because the securities market is developed and privatized enterprises

are fairly attractive. The altogether normal, healthy process of buying up stock from the enterprise's employees begins right during the closed subscription or after it is over. And two forces operate here; on the one hand, the director buys up the stock, and on the other, the outside investor, who usually acts through brokers. As a result, the proportion of the outside investor increases substantially if he puts effort into it.

The picture is different in regions with an undeveloped securities market, where the directors face the task of making themselves the "chairmen of the kolkhoz" at their own enterprises. The solution to this situation is to continue to accelerate development of the stock market and buy up stock from the labor collective members and the directors. How much time will be needed to do that? In St. Petersburg this process takes an average of only 9 months. And essentially there is no enterprise where such an opportunity would not exist.

Privatization in Russia has brought a new institution with it, check investment funds [ChIF]. We can now already say that ChIF's not only have come into existence, but they represent a real economic force. They have collected more than one-third of the vouchers and represent the interests of more than 30 million stockholders. Their activity does not contradict the fundamental interests of developing the Russian economy. When they interact with the management of privatized enterprises, ChIF's make such demands as investing in production and following a market strategy. The ChIF's are a new institution in the stock market which has the smallest interest in inflation; this distinguishes them from commercial banks. The latter pump preferential state credits through themselves and are completely indifferent to how they are used in the economy and whether they are returned or not. The ChIF's occupy an altogether different position. They have a real social base to resolve the question of financial stabilization. Such a base did not exist in 1992-1993 and accordingly the problem remained. The situation has changed now. And that inspires the hope that there will be a turn for the better in 1994-1995.

The GKI is trying to assist the ChIF's, and that includes using measures envisioned in the state privatization program. Basic attention has been devoted to tax questions, the possibility of having blocs of enterprises' stock, and determination of the ways to conduct stockholder meetings. Today the question of corporate management is becoming the focus of the agenda after making enterprises joint stock companies is complete. Very soon the Law "On Joint Stock Companies" is to be discussed. I think that in connection with this the government faces serious disputes, since the question will arise: how will enterprises be managed when the lack of control over directors reaches the maximum.

There is one more problem: who will participate in the capital of our enterprises? I have been, am, and will remain an opponent of commercial banks' participating in the capital of industrial enterprises. Only investment banks and investment institutions which will engage in long-term crediting but not cashier service to clients can have this

right. Let them invest and participate in the capital of industrial enterprises. That is the fundamental issue.

These and other important questions must be resolved soon. "Voucher" privatization is coming to an end, and we must determine what has been accomplished, and how, and where we should go from here. Life itself will answer many questions. But for now the agenda includes developing a strategy for the next stage of market reforms.

### Shokhin's Views on Foreign, Domestic Economic Issues

944Q0303A Moscow KOMMERSANT in Russian  
No 11, 29 Mar 94 pp 2-3

[Report on interview with Aleksandr Shokhin by Nikita Kirichenko, Aleksandr Privalov, and Andrey Shmarov at the KOMMERSANT publishing house; date not given; published under the rubric "Very Important": "Wait for Your Debt Far Away and for a Long Time"]

[Text] Last Wednesday, 23 March, Aleksandr Shokhin came to the KOMMERSANT publishing house. Thus a good tradition of informal communication between high-ranking statesmen and KOMMERSANT experts was continued. Boris Fedorov started this tradition last year. However, two months after visiting KOMMERSANT Boris Fedorov left the government, whereas Aleksandr Shokhin originated a new tradition—one day after his visit to KOMMERSANT he was given the post of deputy prime minister with a portfolio in the government.

However, we have always proceeded from the fact that status is not the only thing to grace a person, as long as he says interesting things.

### Shokhin on Camdessus, the Duma, and the People

Naturally, the foremost desire of KOMMERSANT experts meeting with a man with whose participation credit exceeding \$2 billion had just been shaken loose was to find out how this is done and how the outcome of negotiations with the IMF can determine the domestic array and correlation of forces with regard to economic reform.

Regarding the intrigue itself involving negotiations about the second tranche of IMF systemic credit, Aleksandr Shokhin informed us that the Russian position on, or rather opposition to, G-7 was set forth in early December. A meeting was scheduled for 17 December at which it was planned to begin the development of a new plan for supporting Russian reform so as to begin a new cycle of financial stabilization scheduled literally day by day as early as 1 February.

However, according to Aleksandr Shokhin, the Duma elections and subsequent events caused the negotiating schedule to fall through. In the opinion of the minister, the first blow to the progress of negotiations was struck by the former advisers to the government, Mr. Sachs and Mr. Oslund, who "tried to create an atmosphere such as not to provide financial support for this government—it is patently conservative and antireformist. If Gaydar and

Fedorov are not in it, it would be better to delay assistance until they return to the government again."

In the process, as our guest noted, "Yegor Timurovich and Boris Grigoryevich themselves support a line of this kind. Yegor Timurovich made a statement of this kind in Bonn; although he later denied this fact, the stenographic record says what it says."

Touching on the contents of the negotiations with the IMF, Aleksandr Shokhin observed with some pride that for the first time they proceeded according to the scenario of (what we seemed to hear was virtually "to the dictation of") the Russian side.

During a meeting with the prime minister, Michel Camdessus named certain parameters which the IMF considered acceptable as conditions for the extension of credit, in particular, a 7-8 percent rate of inflation by the end of the year. The minister noted: "In the process they of course did not fail to say that Mr. Yeltsin was setting correct tasks (3-5 percent by the end of the year) and, they said, the government should not be avoiding implementation of the president's message. Nonetheless, IMF experts grasped our arguments; this already amounted to readiness to shift their old dogmatic positions in a more realistic direction."

Before finally making a determination as to how realistic the budget projections of the government for 1994 were, Michel Camdessus met at the Duma with Nikolay Rybkin and Sergey Glazyev, who fervently supported the government. Aleksandr Shokhin said: "This made a strong impression on Camdessus; it turned out that the Duma was monetarist, perhaps even more so than the government. Of course, it is hardly so, but he found no opposition to the government there nonetheless."

Aleksandr Mikolayevich also told us that Mr. Camdessus "visited a working man in the village—he wanted to see how the people were doing. He happened upon a working man whose entire hut was overflowing with books, and he spun tales for Camdessus for three hours. I do not rule out that this was also a factor in moderating the position of the IMF. It was good that he did not drop into a neighboring hut." It turns out that this is how a creditor needs to be boxed in tightly, from three directions (the government, the Duma, and the people), so that he will loan more.

Further on, we decided to cover in our conversation another aspect of the issue—debt repayment or, in other words, the manner in which the fact of signing the agreement with the IMF will influence negotiations concerning the foreign debt. The minister answered: At present the entire problem is that the agreement with the Paris Club, dated 2 April 1993, specifies that interest for the restructuring of the foreign debt in 1994 shall be set at 100 percent, whereas in 1994 we paid 40 percent, or \$2 billion less.

At the same time, a new round of negotiations just could not begin while Russia had no agreement with the IMF. As subsequently came out in our conversation, the club had, to put it mildly, certain grounds for this. Aleksandr Nikolayevich recalled how last year "we said: We have \$2.5

billion in the budget for all of your business; we do not even know what the restructuring pattern will be; we do not know about your intricacies. Here is money for you, think yourselves about how to do it. They said: This is without precedent; it is not done this way, with payments being reduced to zero for entire items, including interest payments. This had never happened indeed. Nonetheless, at the time we pressed the point home with them."

At this point we somehow legitimately recalled apprehensions which are now being voiced concerning the fate of repayment of the domestic foreign exchange loan of the VEB [Bank for Foreign Economic Relations] (see KOMMERSANT, No. 9, pp. 6-10). On one hand, if we succeed in economizing on payments to the Paris Club, and if money from the monetary fund arrives quite promptly (according to Shokhin it may arrive as early as late April), chances for the regular (on-time) servicing of the domestic foreign exchange debt will improve. On the other hand—you will know yourselves (see above)....

As the saying goes, "debts follow debt," and thereafter the conversation smoothly moved on to the issue of ruble-denominated debt.

#### **Shokhin on Nonpayments and the Domestic Debt**

The issue of *nonpayments* surfaced in the conversation every now and then. Thus, when Mr. Shokhin was discussing the proposal of the Ministry of the Economy to eliminate quotas and licensing for oil exports, he directly indicated what caused this proposal to be made: In the immediate future, the combination of quota-setting and the nonpayments crisis may bring about a stoppage in the oil industry because the latter has no opportunity to compensate for the insolvency of Russian customers by increasing exports.

It subsequently came out that, in the words of the minister, the current "semi-market" mechanism for carrying out intergovernmental agreements with CIS countries is breaking down because of the nonpayments crisis and the insolvency of Russian enterprises. For example, Roskontrakt purchases oil in Russia, pushes it through to Uzbekistan, sells it, buys cotton, and brings the latter here—and it turns out that nobody is in a position to buy cotton at these prices. "It is easier for precisely the Uzbeks and Kazakhs to meet such obligations. Everything is centralized there. This is why we should either change the arrangement, too, and use the arrangement for the administrative regulation of deliveries under such agreements, or altogether abandon them."

The same topic resurfaced in the discussion on the need to augment budget revenues. Aleksandr Shokhin said that it is not simple to raise taxes and not only because "in some instances the physical limit for these taxes is being reached. There are other motives, too. For example, the excise tax on gas may be increased, but will this generate real revenues for the budget? Nobody knows whether the excise tax will become merely a calculated value because of nonpayments."

At the same time, Mr. Shokhin clearly led us to understand that the government does not at all intend to undo the nonpayments crisis by the "traditional method." What is the situation with "nontraditional methods?" The deputy prime minister noted with satisfaction that "the mentality" of the captains of industry "has finally begun to change—they have already stopped seeking credit from the government and have rushed to commercial structures, and are indeed prepared to accept any terms in order to ensure the infusion of money into production." He himself added: "However, this is just beginning; we are not managing to make it through...." Since we are not making it, plants will be idled.

This position of the minister of the economy makes a particularly strong impression against the background of data from his own ministry (see KOMMERSANT, No. 10, p. 11): The Ministry of the Economy calculates that each ruble of public debt generates 2-3 rubles [R] in the debt of enterprises.

However, we hate like hell to pay back the debt. If, as we remember, Mr. Shokhin has managed to restructure the foreign debt brilliantly, if he has convinced hard-boiled Western creditors that a country with a trade budget surplus of approximately \$20 billion is just not in a position to pay more than \$2.5 billion on its obligations—will he really be intimidated by restructuring the domestic debt? Do Russian agrarians or defense sector people surpass the Paris and London Clubs in terms of negotiating steadfastness? Even if they do, it means that they are inferior to the Paris and London Clubs on some other score....

#### **Shokhin On Attracting Nonstate Investment**

Aleksandr Shokhin answered our question about how the minister views restructuring and a pick-up in investment activities as straightforwardly as a Roman—there is no money in the budget, and for this reason, he views centralized investment as merely a continuous patching up of economic holes. The minister explained: Social projects (for example, housing) and conversion will account for the lion's share of investment outlays. As far as capital investment in effective production projects is concerned, according to the budget about R4 trillion will be allocated for it, which is mere scraps.

Besides, the minister confirmed in principle the supposition of KOMMERSANT experts that the government also lacks a reliable mechanism for the placement of state investment; moreover, the investment arrangement proposed once again by the Ministry of the Economy is patently unworkable.

Aleksandr Shokhin reasons absolutely soberly that a draft of the compilation of the state investment program which, in particular, calls for investment through state agents (the Gosinkor [expansion not identified] and the Russian Finance Corporation) does not ensure the main point—guarantees of the recovery of investment. "So, we will give money to Nechayev (president of the Russian Finance Corporation—note by KOMMERSANT), but he will not pay it back. Well, it did not work out. And what is the



Russian Finance Corporation going to be liable with? Its building on Georgiyevskiy Lane?"

It makes sense, and yet the minister has something up his sleeve. Aleksandr Shokhin stated that a draft decree on a contract between a government commission and a certain consortium of commercial banks is already on the prime minister's desk. As we understood from a not too extensive commentary by the minister, the idea of this contract is as follows.

Shokhin believes that demand constraints have finally started working at this particular time—there are no sales, enterprises are screeching to a halt, but directors, on the contrary, have begun to hustle. If so, state investment for them, the directors, is no longer pennies from heaven but rather a rare genuine opportunity to survive. Therefore, it is logical to surmise that this investment should be fought for.

And just how? By "matching" one's own or private funds with those of the state. The minister gave an example: The Tekhnokhim Association from St. Petersburg insisted on having its project financed from the budget; representatives of the enterprise showed up at the ministry on this business regularly. Ultimately a condition was set for them: Bring in a reputable foreign investor, and you will get money. An investor came along fast: In turn, he was promised that state funds would be invested in the project, and some foreign investors in certain places still believe on occasion that if the state is forking it over, recovery will be no problem.

It is for this arrangement that the project with the participation of the bank consortium has apparently been developed; Shokhin thinks that each R1 in state funds must attract R4 in private capital.

Of course, it is a good idea, if for no other reason than because it envisions some kind of partnership between the state and business. However, we are afraid that we will not go very far even with this idea.

The reason is very simple. If total capital investment in the national economy is calculated with the fourfold investment multiplier—in keeping with Shokhin's arrangement—taken into account, it turns out that investment will "give off" 10 percent this year (an estimate of the Ministry of the Economy itself). It is clear that no investment policy can be made with such scant capital, and that the 12 percent projected drop ("active stabilization" scenario) which was "approved" by the government last Thursday (after the minister's visit to KOMMERSANT) will have to be discarded. Moreover, in this case there is perhaps no dodging a 20 percent drop, as presented in a different scenario of the projection.

However, the saddest point which our conversation with the minister suggests: Shokhin is terribly averse to "working" the investment multiplier a little. Meanwhile, there are possibilities there: It is lucrative indeed to emit a ruble, place it with the mysterious consortium for an effective project, and tie up R4 in private capital. Of course, it is

clear that the multiplier will decrease as emission proceeds: Private money is short, whereas emission will bring about the growth of the budget deficit. However, money will not be spent in vain, either.

But the minister just will not budge. He talked with regret about the need to pay back the domestic debt, and with virtual horror about the growth of the budget deficit. Nonetheless, KOMMERSANT experts got the impression that ("I know that you know that I know") everything has not yet been lost, and that an affair between the minister and the economy is still possible.

Of course, special piety has to be shown for the budget while Camdessus is around. After a period of time it will be possible to recall that "the tiger is made of paper": After all, the level of intake of taxes by the state budget dropped by a factor of two in the initial months of the year—from 18 percent of the gross domestic product last year to 9 percent this year. If the budget still cannot be implemented—with this kind of nonpayment—it may be treated more liberally. After all, a softer budget cannot be smuggled past the Duma and the IMF anyway, but life needs to go on....

#### **Minister of Justice on Urgency for Entrepreneurship Legislation**

944E0714A Moscow DELOVOY MIR in Russian  
No 65, 28 Mar-3 Apr 94 p 21

[Interview with Yuriy Kalmykov, minister of justice of the Russian Federation, by Miroslav Buzhkevich, DELOVOY MIR political observer; place and date not given: "Laws for the Market"]

[Text] Russian businesspeople justifiably complain about the weak, fragmented legal base for entrepreneurship. It has become an impediment to the development of market relations and stands in the way of expanding all areas of business. What is being done to overcome the legal "inadequacy"—this is the subject of the discussion between Russian Federation Minister of Justice Yuriy Kalmykov and DELOVOY MIR political observer Miroslav Buzhkevich.

[Buzhkevich] The position of our entrepreneurs is unenviable. In addition to objective difficulties related to the decline of production and the disturbance of economic ties, at each step they encounter all kinds of legal restrictions that hamper their initiative. Is it true, Yuriy Khamzatovich, that the legal base for entrepreneurship in our country is that weak?

[Kalmykov] The first steps to its creation were taken a couple of years ago. The Union parliament adopted a most important Law on Property and also the Fundamentals of Civil Legislation. After these came analogous Russian legal acts: On Property, On the Enterprise and Entrepreneurial Activity, On Banks and Banking Activity, etc. So it would be wrong to say that we do not have a base for development of the market. It is another matter that this base is painfully inadequate and still weak.

Not only do we not have enough concrete legal acts, but we are lacking the main thing—an integrated system of interconnected and mutually conditioned laws based on common principles of market relations. We are wrong to hurry to create special normative acts, say, concerning the coal industry or grain without relying on specific initial positions. Throughout the rest of the world they have begun with basic codified acts such as the Civil Code, the Trade Turnover Code, etc. The practice of issuing particular government decrees is being reflected in the regulation of the entire market space. There are still frequent cases of the appearance of legal acts that contradict those that already exist. For example, a draft of Fundamentals of Land Legislation was prepared in which all the questions—conclusion of purchase and sale transactions, leasing, inheritance policy etc.—were resolved differently from the way they are in the Civil Code. And regulation should be standard for all objects of market circulation. If, for example, securities are inherited according to one set of rules and buildings and motor vehicles according to another, if each special law introduces its own norms—there will be no market.

[Buzhkevich] You mentioned the Civil Code. It is considered to be the main market law and is even called the business bible. Why?

[Kalmykov] I would call the Civil Code the constitution of market relations. It is head and shoulders above any special federal law and has great legal force. If particular provisions of the latter contradict it, preference is always given to the norms established by the Civil Code.

The first, so-called general, part of it contains descriptions pertaining to participants in market turnover. Both citizens and legal entities. And also the Russian state, components of the Federation, and municipal structures. They used to be participants not in civil relations but in subordinate, administrative ones. Additionally, this same part of the Code contains a practically complete description of all subjects of civil relations: economic partnerships, companies, associations, concerns, etc. Conditions are determined for their creation, organization, and liquidation. It also discusses what commercial organizations and institutions are.

The draft recognizes: Civil law applies to all commodity-monetary relations. Including everything related to the land and other kinds of immovable property.

At the same time the draft does not envision regulation of market relations. And it recognizes the need for direct indication in the law of cases where price regulation, mandatory conclusion of agreements, etc. are allowed. Such a system is typical of developed market relations.

It is extremely important that the new Civil Code be in effect in a society with a socially oriented market economy. And it envisions guarantees and means of protecting the interests of the weak party in legal relations, which most frequently is the citizen.

[Buzhkevich] I would like to hear the extent to which the new Code takes into account and protects the rights of entrepreneurs? This interests our readers.

[Kalmykov] The entire content of the Code, its letter and spirit, are aimed at providing for free development of civilized market relations. But before speaking about protecting the rights of businesspeople I would mention their responsibilities. When engaging in entrepreneurial activity they must act in good conscience, reasonably, fairly, observing the requirements of the law, moral principles of society, and the rules of business ethics.

The draft of the Code, naturally, contains many innovations which simply could not have existed previously. I would say the primary one is granting commercial organizations (with the exception of state and municipal enterprises) general legal capacity, which makes it possible for them to participate in all kinds of business without changing their charter documents. Further, companies and partnerships, including full partnerships, are becoming the main participants in the entrepreneurial practice.

All property owners are given guarantees of their rights to possession, use, and disposition of their property. At the same time an exhaustive list of cases in which forced confiscation of property from its owner, which is allowed only by a court decision, will be created.

Liability for violation of commitments related to business is also interpreted in a new way. Previously the entrepreneur or firm paid for failure to observe a contract or agreement only when this occurred because of their own fault. According to the draft Code, the only person relieved of liability is the one who can prove that his failure to meet his commitments was caused by an insurmountable force, that is, a natural disaster or something similar.

Freedom of contract has been established, whereby its conditions are determined by the parties themselves. In order for this principle not to lead to unlimited arbitrariness on the part of the entrepreneurs, especially those who hold a monopolistic position in the market, and also in the interests of the consumers, the concept "public contract" is introduced. It applies to commercial organizations engaging in retail trade, passenger traffic on public transportation, electricity supply for housing, and medical, hotel, municipal, and consumer services. They do not have the right to refuse these services to citizens or establish any advantages or privileges for anyone.

The second, special part of the Civil Code has to do with specific kinds of market turnover: contracts for delivery, purchase-sales, leasing, shipment, insurance, the procedure for capital construction, etc. Related to it are relations involving intellectual property (inventions, copyrights, etc.) and also problems of bequeathment and inheritance.

[Buzhkevich] When can we expect the completion of the work on the Civil Code and its ratification?

[Kalmykov] I think that the special part of the new Code will be ready by May or June. And the first, general part was completed long ago by scholars of the Research Center of Private Law and other scholarly institutions as well as

specialists of our ministry. The government has approved this part and it would be possible to examine it, but the draft has not yet been turned over to the State Duma.

Here I would like to make a digression. The idea was that all draft laws related to economic problems were to be prepared in the government and, as legislative initiative, sent to the parliament. The whole problem is that the Cabinet of Ministers has no mechanism for this. The prepared draft laws drown in the waves of bureaucratic red tape. For example, the first deputy prime minister orders that the prepared draft of a legal act be turned over to parliament, but the bureaucrats begin to discuss whether or not it is expedient and timely to do this. Days and weeks pass, and during this time other structures turn in similar drafts of their own and thus cross the road to the government.

The same thing happens in the apparatus of the presidential administration. It is apparently no accident that B. Yeltsin recently said in a public statement that the bureaucratic apparatus is holding everything in its deadly embrace.

The fate of the draft of the general part of the Civil Code can serve as a clear example of this. As I have already said, the government has approved it and it was turned in to the State-Legal Administration (GPU) under the president. And they are able to hold documents for a good long time. More than two months have passed but the draft is still not being studied or evaluated. I cannot understand what motivates its leaders to create such red tape. Perhaps they never find the time to gain an understanding of the draft. Sometimes a "seditious" idea occurs: How can it be that such a serious action, which will have an extremely significant impact on the country's future, was prepared without their participation. But there is no special point in trying to find the causes of red tape. It is more important to get the draft of the Civil Code turned over for discussion in the State Duma. The GPU has long been competing with the Ministry of Justice (that began back under Minister N. Fedorov) and it cannot understand that this kind of "competition" only harms the cause.

[Buzhkevich] You said that the new Code or, rather, its general part could be approved by the middle of the summer. Where do you get your optimism? In the Duma there will probably be people who oppose the draft.

[Kalmykov] Yes, the debates will be heated. One of the stumbling blocks is the problem of buying and selling land. I think that certain factions of agrarians and communists are trying to block the point about complete freedom to conclude such agreements.

The Duma includes representatives of the so-called economic law, which existed in Soviet times as a part of jurisprudence which was actually against commodity-monetary relations. They have advised in favor of the dominance of administrative regulation of such relations. Today supporters of economic law have been forced to hedge their bets and are no longer opposing a transition to the market. But they think that the movement toward it should be different from what it is now. They assert that

instead of a civil code it is more important to adopt a trade code. But we think that it is necessary to enact the Civil Code and see how it "works." It is quite possible that it will be able to encompass all problems of commercial credit as a whole. Then there will be no need for a trade code. But we cannot rule out the possibility of adopting a trade code after the civil code.

[Buzhkevich] But still one cannot consider the Civil Code to be the only and all-encompassing legal act, which removes all legal and organizational barriers from the path to entrepreneurship and market relations. Concrete, as you say, special laws are also needed.

[Kalmykov] And quite a few of them. To begin with I will mention the law on the joint-stock company. In principle its draft is ready. But the developer, the State Committee for Administration of State Property, having received our remarks, will not finish "digesting" it.

There is an extreme need for a law on the state enterprise. Regardless of how widely the market economy may spread, a certain and considerable part of the fixed capital of the national economy, including factories, plants, etc., will remain in state hands. And all of these must be controlled and their fate must be decided: Should they be reconstructed or closed down? And this can be done by using a special law.

There is an especially great need for an act on registration of legal entities, that is, companies, partnerships, concerns, etc. This area is now nothing but anarchy and confusion. Registration is handled, and far from professionally, by the mayor's offices and other municipal structures. And dishonest bureaucrats are blatantly getting rich at the expense of entrepreneurs and even certain private organizations. If you do not give bribes you risk not being registered until several months after you submit the document, or else you might be refused altogether.

The law on registration will put an end to this confusion and arbitrariness. It will introduce a standard policy for this operation for all legal entities. A Russian State Register of them will be created. All this will increase the protection of the interests of civilian participants and thus market relations as well, and it will open up to them the possibility of verifying the real state of affairs of their partners and it will also make it difficult to commit abuses when reorganizing or liquidating entrepreneurial structures. The Ministry of Justice will take charge of state registration of legal entities. Perhaps we will create a special service.

Finally, there is the problem of transportation relations. Today they are a *Tabula rasa*—a clean slate. All transportation regulations and codes have "long beards": They are antediluvian, the rules they set do not correspond to the present day or market relations. Look at what is being done on the railroads. Deadlines for delivering freight are not being met, freight is frequently lost, and sometimes it is stolen. There is nothing you can say about the position of the passengers either. None of the transportation workers—neither the railroads nor the airlines nor the motor vehicle services nor the river transportation services is



responsible to them in any way at all. We have not come a step closer to international standards here.

All this is completely out of keeping with the rules of market turnover. The regulations for rail and automotive transportation and the aviation code must be created from scratch. And they must correspond fully to the Civil Code. And transportation workers and those who defend them in the state structures must understand that the stricter the demands for service to the clients, the more the railroad workers and airline personnel themselves stand to gain because life will force them to work honestly and in an organized way, and they will finally be rid of the constant insulting, although fair, criticism against them.

[Buzhkevich] You mentioned those who protect the interests of transportation workers in state structures. This kind of protection is frequently called lobbying. How do you feel about this phenomenon, which until quite recently was considered to be purely capitalistic and is now spreading to our country?

[Kalmykov] There is lobbying and then there is lobbying. In countries with developed market relations lobbying has long been an important institution of political and economic life. They have a multitude of forms which undertake to help joint-stock companies, commercial firms, and political parties to conduct their transactions, projects, and programs. In a number of countries experts of these firms are credited with the parliament, the government, and the presidential administration. It is not easy to obtain this accreditation. It is necessary to be not only a specialist with a degree in the area in which the firm is engaged but also to be well versed in public and private law. Any concealed lobbying is punishable by law or becomes an occasion for scandalous disclosures that cost the careers of political figures and commercial and financial bigwigs.

And I am for this kind of completely civilized lobbying.

But now, during the period of transition to the market, the proper conditions for this kind of activity do not exist. And what we now call lobbying has nothing in common with it and causes harm to society and the economy. Because it is based on corporate or personal connections and frequently on corruption and bribes. And most often it leads to the transfer of materials and funds to those regions and those branches of the national economy which you cannot call the most needy, the ones in a catastrophic situation.

When the state budget for this year was being formed I observed how the chairman of the government did everything he could to hold up under the pressure from involved individuals and groups who were trying to pull apart the cost side of the budget in the name of branch, corporate, and other interests. And they basically managed to do this.

[Buzhkevich] But it still stood up under the demands of the agrarians....

[Kalmykov] Not entirely. There are such things as unpaid debts. Under conditions of a normal economy and a rule-of-law state, they are ruled out because there is a reliable mechanism in place for compulsory collection of money from debtors.

Everything is different here. The economy is in a transition period and it is far from being a normal, market economy. And the state has to pay for this.

For instance, they say that we must not take on debts and subsidize certain branches. They say we must stick to our guns for otherwise we will not be able to cope with inflation. From a formal economic standpoint this might be true. But there is the real situation, the actual pit in which we are all sitting. And we have to get out of it. And we have no time for formalities because then we will not achieve anything.

Of course, we can say to the director of an enterprise: If your debtor will not pay, take him to court. But if he does not have a shirt on his back, you will not be able to get any money from him. Perhaps it is better (half of our enterprises cannot declare bankruptcy) to help him, to give him a little support through the state. Then you might look and see that the enterprise is on its feet. We have already said that we are in a transition period. That being the case, the state must exert a regulating influence on the situation. That is what President Franklin Roosevelt did 60 years ago when the United States was establishing a market.

I think that our prime minister was right to support the petition to allot funds to agriculture, part of which were a state debt. How can we leave the peasantry without funds, materials, and fuel right before planting. From here it is not far to disaster—the country could be left without food and other agricultural products.

It is another matter when they demand additional credit, and at preferential rates. Here again is a manifestation of subjective lobbying.

Various viewpoints and opinions, mainly regarding concrete problems, exist in any government. People frequently say that it is a single team and must think the same, they must be playing the same song. But that is pure utopia. In government structures there are people who think in different ways, and this is probably a normal phenomenon. It is important for the government to be unified in the main thing, the overall line of behavior.

#### **Effectiveness of Trilateral Agreement Questioned**

944E0700A Moscow *RABOCHAYA TRIBUNA*  
in Russian 12 Apr 94 pp 1-2

[Article by Viktor Ukolov, including statement by FITUR Chairman Mikhail Shmakov, under the rubric "FITUR Position": "Champagne for Three... The Skeptics Will Say 'It Was That Close'"]

[Text] Finally! After many assemblies and much debate, members of the Russian Trilateral Commission signed the General Agreement Between the All-Russian Trade Union and Employer Associations and the Russian Federation Government for 1994. A cheerful atmosphere prevailed in the well-known building at Old Square; in what has become a tradition, champagne was served (for the third time).

Actually, there are enough reasons to be cautious in evaluating the events, apart from the desire to malign and "cloud." First, this fundamental document in the life of

our society was too long in coming. Given that it overflows with phrases such as "prepare proposals" and "develop drafts," when is its effect to be expected? Second, it is known that pickets are posted in front of the White House continuously, simultaneously with the meeting of the RTK [Russian Trilateral Commission]: Nuclear industry workers take over from miners; yesterday, textile industry personnel joined in, and today—students. We must admit that there is a measure of discord in this. Will the discord weaken or disappear? The feeling is that the RTK aspires to this.

FITUR [Federation of the Independent Trade Unions of Russia] Chairman Mikhail Shmakov, head of the trade union delegation within the commission, stated this for RABOCHAYA TRIBUNA readers:

"The very fact that an agreement was signed is positive: As the economic crisis continues to worsen and passions in our society are seething, a step is being taken that makes confrontation less likely and safeguards peace in our house.

"Furthermore, we succeeded in incorporating into the text of the General Agreement a sufficiently large number of the proposals by trade unions which are designed to protect the material interests of the working people. I will say right away that this is not all we wanted, but rather the maximum of what was possible in reaching a compromise. In particular, a provision is included that did not exist before: Decisions to use foreign labor in Russia will only be made with the findings of associations of trade unions and employers taken into account.

"This is the wording of one of our main demands: 'A set of measures shall be taken to provide coordinated regulation, including by the state, and control over prices (rates) for energy resources, individual socially significant foodstuffs (regulated at the regional level), principal types of medicinal preparations and drugs, the services of passenger and freight transportation, communications, municipal and other services to the population, and products (goods, services) of monopoly enterprises.'

"The General Agreement includes a new section concerning obligations of the parties with regard to social security and social insurance which provides protection measures for millions of working people: procedures for payment of temporary disability benefits, preservation of the technical and legal inspectorate of trade unions, as well as their certified physicians, provision of reduced-price sanatorium vouchers for low-income categories, and so on.

"We did not succeed in pushing through the demand to bring the size of the minimum wage to 70 percent of the subsistence minimum by the end of the year. (In the last agreement, "to 50 percent" was laid down, but actually this remained merely a benign wish.)

"However, as I see it, the main point is that representatives of all the three parties are now proceeding in the common direction—toward comprehensive cooperation."

Let us knock on wood at this point. At the same time, let us recall (inappropriately?): "He is blessed who is a believer...."

Oh, I nearly forgot! As the first item, the RTK heard a presentation by Deputy Minister of Railways I. Besedin concerning a raise in railway rates. Valeriy Ochekurov (Trade Union of Forest Rangers) asked him a question: "Can you bring down prices for tickets following our discussion here, or have we missed the train?" Besedin just threw up his hands, and everybody felt somewhat awkward because of their tactless colleague.

### Gaydar's Performance, Economic Reforms Critiqued

944E0700B Moscow RABOCHAYA TRIBUNA  
in Russian 12 Apr 94 pp 1-2

[Article by Eduard Mokhorov under the rubric "Point of View": "Economic 'Selective Breeders' Have Taken the Country Onto a Proven Path, But in the Opposite Direction"]

[Text] Bryansk—In his time, a self-taught village selective breeder, a former disciple of Michurin, tried to grow a new vegetable-fruit unknown to science out of plain potatoes. Like its American progenitor, this plant had a root system on which potato tubers grew, whereas the surface part was graced with tomatoes. I do not remember the name of this selective breeder, but I know for sure that the hybrid he produced was called the PUKS or, if the abbreviation were to be expanded, "Path to Socialism." Of course, you have guessed that this is about the notorious "Chonkin" by the venomous writer Voynovich.

Due to well-known causes and events, our people gave up the PUKS after August 1991. We are now producing a new hybrid, likewise unknown to science, which is officially called "Path to Capitalism," PUKK in short (of course, with two k's at the end). All of us, from the president to the common kitchen maid, are producing PUKK willy-nilly. Although no one knows what the underground-surface part of this hybrid will look like, everyone has already managed to fully partake of its fruit. It may very well be that, due to our doing everything the other way around, the tomatoes will end up in the underground segment while tubers will ripen amid rustling tops.

Yegor Timurovich Gaydar may be rightfully called the main selective breeder of the Russian PUKK. Despite the entire fantastic nature of the project, PUKK has turned out to be a tenacious hybrid. Despite Gaydar having been removed from his favorite agronomic experimentation for a second time now to the sound of gun salvos in front of the White House, his PUKK has managed to strike root in the very thick of the Russian economy, regardless of who is in charge of the selective breeding effort at present.

They say that this is a sick economy. They frequently liken it to a precipice which we need to jump across no matter what. We would have jumped across with our characteristic enthusiasm, but for three things accompanying PUKK that are getting in the way: inflation, the nonpayments crisis, and a universal recession in industry. Mass unemployment promises to be the fourth evil.

The government swears on a daily basis that it is fighting these misfortunes that are threatening to blow up our society

in every way possible. By all signs, the evil would have been vanquished had it not been for the agrarians and miners taking turns at being bothersome. The most intelligent and learned people, from G. Yavlinskiy to B. Kurkova and Granny Vanga from Bulgaria, propose fast-acting prescriptions for fighting inflation. The discontented segment of the population (members and candidates for the underclass) associate the three evils plaguing the Russian economy with PUKK and Gaydar. We must acknowledge at this point that in this instance, intuition does not fail our public.

All kinds of abusive words have been hurled at Yegor Timurovich in recent years! "Lab chief" is the gentlest of the swear words. Meanwhile, Gaydar smiles coolly. He feels superiority over the crowd of ignoramuses. None of them has understood and appreciated the titanic feats accomplished in two years by the father of the Russian PUKK. At best, our irritated philistine has noticed a commercial stand opposite his house and begun to patronize it on a regular basis in order to buy Dutch sausage, Greek oranges, a jar of Brazilian coffee, or a bottle of Royale at any time without standing in line. As long as you have money, purchasing the erstwhile goods in short supply is now everyone's privilege.

It appears that everything is just fine now as far as Greek oranges are concerned. Now let us try to figure out the things that are not at all in plain view but are hidden, like tomatoes, in the underground segment of the present-day political economy. Those who brand the Gaydar team with infamy for being incapable of creative actions in the economic sphere are making a big mistake (or perhaps are not being entirely truthful). Nonetheless, the blood-curdling cries of conservatives who would like to take the country back to PUKS are still being heard. Their charges sound trivial: "They have dragged the economy into a global crisis, but do not know themselves how to get out of it."

Comrade conservatives, you are in error! Gaydar knows everything. The reform has not failed, as we are being persistently told at present; it is rather being successfully completed. The endeavor on which Yegor embarked two years ago has already been accomplished in the rough. The building has been erected; what remains is to take down the scaffolding and start finishing the building. In all of that, you, the credulous philistines, have been intimidated for over two years in every way possible with horrendous shock treatment. However, we have done without physicians. This was merely a feint. Highly professional butcher-surgeons from the International Monetary Fund performed the surgery with precision: We did not even manage to shriek.

The postoperative pain made itself known when 9.5 out of 10 Russians found out that the big, tasty-smelling pie of state property has been virtually carved up, and none of them personally was in any danger of tasting that delicacy.

The ideological anesthetic wore off later, and then the opened-up society sensed the smell of PUKK: The once united Soviet people ended up divided into poor and rich. In the process, a narrow stratum of chosen ones ended up in the

sun of a capitalist paradise on the other side of the precipice, while the rest—sovietized creatures, that is, the superfluous, unnecessary, and for this reason dangerous elements of society—are still awaiting the miraculous leap across the precipice which was promised by the prophets of 1991. Miners, collective farmers (under whose feet the ground is literally giving way at present because it will be taken away at any minute) ended up among the sovietized creatures, or the superfluous ones. Retirees, the military (with the exception of the loyal elite), workers of the military-industrial complex, and the working intelligentsia also ended up as such.

Therefore, the surgeons have done their job without publicizing the results. The rest was up to ideologists, those who console and distract. They are trying hard, especially on TV. The main point is to be persistent, to tirelessly drum into your souls and minds a few magic formulas on a daily basis. You never sweated previously, but if they recommend to you a patented deodorant day in and day out, you will wake up in a cold sweat in the middle of the night on some occasion and, to the sound of music playing in your sick head, utter: "Khlavin Cosmetics, Israel, Ben Gurion Boulevard."

With the same importunate inevitability, specialists in political advertisements will impress upon you, gentlemen, former Soviet and currently superfluous people, that you have not lost all that much by acquiring PUKK. After all, the completely illusory guarantees of the old Brezhnev-Soviet Constitution were taken away—such as the right to low-paid labor and second-grade recreation on a trade union voucher, and unskilled medical services.

What else was there? Oh, yes: the prospect of being given the "Labor Veteran" medal and a free "Khrushchevian slum" with a view of the belching smokestacks of a plant before one retired. In addition, it was demonstrated to the superfluous people on TV, on 4 October of last year, that the state which had previously protected them from thieves will now protect the peace and comfort of the new elite from them, from the Sovietized creatures whom nobody has any use for.

They are now impressing on all the superfluous people that the difficulties they are experiencing are temporary in nature. The brainwashing department that has now replaced the agitation and propaganda arm of the CPSU Central Committee gently induces us to think that inflation is the main enemy (next to the Reds-and-Brownshirts) at this stage in history. If we overcome this perfidious evil, the Russian people will live no worse than the British in their vaunted Lemonia (as is known, this geographic discovery was made by Vasilii Aksenov).

However, how is inflation to be overcome, along with the other evils of the period of transition? The segment of society on whose backs the chosen ones have gotten across to the other, promised side of the precipice live with this burden on their minds at present.

Prescriptions for the struggle have already matured in many brilliant revolutionary minds. As far as the miners are concerned, they are prepared to act straightforwardly.



These guys know how to get to the top of their "game" in a cavalier manner. Were they not the ones to yell in 1989 louder than anyone else: Give us PUKK, and down with the commies? Now they are also yelling: "Gaydar is gone, down with Chernomyrdin and the president to boot! Since the war, 40 governments have changed in Italy, but now they gorge themselves on spaghetti with Uncle Ben's sauce every day. We will keep toppling prime ministers and presidents until such time as we elect those who know how to cancel inflation, corruption, and nonpayments by a single decree." To the sound of such inflammatory rhetoric, a certain well-known gentleman who is counted among the fascists is already walking about and stroking his gilded belly.

If we disregard emotions, it would be worthwhile to think hard: Yegor is, of course, a "lab chief" and the "Mephisto of the Russian economic reform." But how did he manage to produce a budget that patched so many gaping holes literally with nothing, literally out of thin air, without being distracted for a second from his principal objective?

This is where we learn Gaydar's main secret. The Russian PUKK which he has reared and cherished has three sources and three components, as Marxists said at one time. You will be very surprised, but these are inflation, the nonpayments crisis, and a paralysis of the state industrial system. While our liberals and conservatives fought the ills of the economy at get-togethers and on the pages of the press, Yegor Timurovich knew for sure that the treasury was empty, that he would not be given credit from overseas, and that his path toward the market, i.e. capitalism, could become yet another utopia under the real conditions of Russia—the existence of a monolithic community of directors and labor collectives which guarded so-called all-people's assets like the apple of their eye—unless the mechanism of antieconomics operated to counterbalance these forces.

Yegor Timurovich was not an indecisive tearful Bolshevik, one of those who are scared by the forthcoming difficulties. Very soon the entire industry of Russia was on its last legs due to inflation and the universal plague into which the nonpayments crisis had turned. There were no orders. Working capital and credit ran out. There was nothing to pay wages with. This turned out to be enough for the directors, the erstwhile sworn enemies of the elements of the market, to turn into the most faithful allies. It was not without their assistance and the interested consent of labor collectives that universal privatization was completed within mere months. The once prosperous standard-bearers of Soviet industry were auctioned off at scrap prices. The predominant group thought that they had become masters: After all, they struck an advantageous deal and got control of half the plant free of charge. However, what is to be done next about these shares and about the plant, which has no orders? The new-fangled owners do not know it. Instead, this is known by the tycoons of private financial corporations, although they are in no hurry to make an appearance on stage.

To some, inflation is worse than the plague. However, to Yegor Timurovich and the future owners it has become a

mighty lever of Archimedes. The crisis ruined many people; but others managed to accumulate powerful capital of their own without producing anything at all. People who had access to loans, licenses, and quotas grew rich playing for the fall of the exchange rate of the ruble against the dollar. Drawing on inflation and other companion phenomena, the father of the Russian PUKK conducted the historical process of primary accumulation of capital in Russia in two years. Mother Europe needed hundreds of years to accomplish this.

To be sure, Gaydar's adversaries have one argument against PUKK which is irrefutable in a way. They say that, first, Gaydar abandoned regulation in the economy, relying only on the elements, and second, neglected a program for social protection of the dispossessed. The opponents are in error yet again in this instance. Prices, and even the entire economy, were regulated by the printing press.

I believe that Yegor Timurovich was secretly rubbing his hands with glee in all this: His provider, inflation relieved the government of many of its past debts and obligations: Payments happened to be made with another kind of rubles. In the process, Gaydar said publicly: "Guys, I had nothing to do with it. You were the ones to demand that the delayed wages be paid, you demanded new bonuses; so as a result you got an inflationary cycle not planned by the government."

Now about the social protection program. Who said that Gaydar has forgotten the poor, the impoverished, and the indigent, retirees, and war veterans? Indeed, inflation swallows our money. However, it is a veritable boon to the socially unprotected strata of the population. After all, it is precisely through inflation and delayed payments that Gaydar has taken away from some (we might say from all of us) in order to give to others (that is, once again to almost all of us).

Besides, under Russian conditions cataclysmic inflation is even a humane means to implement unpopular reforms. The previous rulers reached into our wallets and passbook accounts from time to time, justifying themselves bashfully. However, as a rule, such one-time expropriation induced universal shock.

Khrushchev raised meat prices (to 2.6 rubles per kilogram) just once, pointing to prices abroad. He was not forgiven for this fault of his as long as he lived. Brezhnev introduced the annual date of 1 April as a merry state holiday during which it was allowed to "temporarily" raise individual prices. He was not forgiven for that either (and not at all for his senile weakness and the golden stars), even after his death. Prime Minister Pavlov froze our savings for a few weeks once, but where is he now?

Unlike all his unpopular predecessors, Yegor Timurovich created a system for continuous rather than just one-time action. Everything we have managed to receive in the form of wages, bonuses, retirement benefits, profits, and dividends is now siphoned away from us every second of every day rather than just once a year. We cannot name anyone personally as the robber.

After all, it is inflation, something like Gogol's elusive nose which once abandoned the face of a St. Petersburg official and lived autonomously and independently in the surrounding space. Gaydar has left the stage, but the nose continues to cruise and circulate, sometimes surfacing in a provision of yet another edict or under the guise of an important statesman. In the process, all of us are frequently left holding our noses.

In general terms, inflation now amounts to a powerful accelerator of the collapse of state property and the establishment of private property. The need for this catalyst will no longer exist when the process is completed (in 1991 we called ourselves supporters of market reforms, i.e. PUKK, almost to a man), when private owners of all plants, minerals, and land come along. Inflation will disappear, and a hard currency will appear. There will also be firm laws protecting the gains of the owners. Believe me, the long-awaited international capital will then appear on the Russian stage, too.

Russia has not appreciated its great man, Yegor Gaydar. Rather than drift as the waves and currents command, he made the clumsy, heavy ship of our domestic economy sail into the wind, against hostile whirlwinds, tapping in the process the energy of the winds and whirlwinds themselves. The people on the deck are groaning and cursing. Rolling makes some sick. Some are threatening the helmsman with mutiny. However, gentleman, you are forgetting that in 1991 you were the ones to give the ultimate assignment to the captain: "Give us PUKK!" So, we are sailing to the promised country of Lemonia in keeping with it. The captain is filling the social order accurately.

#### **Board Chairman Describes Work of Independent Finance Company**

944E0700C Moscow *RABOCHAYA TRIBUNA*  
in Russian 12 Apr 94 p 2

[Interview with Aleksandr Astanin, chairman of the Board of Directors of the Russian Selling House, by *RABOCHAYA TRIBUNA* correspondent Mikhail Volkov in Volgograd; date not given: "The Russian Selling House Is a Truly Unique Finance Company in Russia"]

[Text] Why so? Everything is quite simple. The Russian Selling House is perhaps the only private finance company for now which makes it possible for you, my dear reader, to get rid of the fear of having things stolen on a train or plane, at a railway terminal, and so on.

For example, you live in Vladivostok, and you are about to travel to Moscow. How much money does one need for the trip? Certainly a full wallet.... However, you will not have this problem at all if you become a depositor of the Russian Selling House. That is to say, you will pay in the money to its Vladivostok office, and as soon as tomorrow, or a month or a year from now—whenever you need—you can withdraw all or some of your money, but certainly with interest, in Moscow, St. Petersburg, or dozens of other cities in Russia and even Ukraine....

Aleksandr Astanin, chairman of the Board of Directors of the Russian Selling House, began our conversation by saying: "For now, only Ukraine outside of Russia. However, we are planning to open branches, first throughout nearby foreign countries and then in many distant foreign countries.

[Volkov] Do you mean to say that you will work with the currencies of the former Union republics?

[Astanin] Precisely. Potential depositors, for example, in Kazakhstan will be given an opportunity to deposit their tenge-denominated savings at our local branch and withdraw rubles in Russia—naturally, at the exchange rate we set.

[Volkov] Aleksandr Valentinovich, it appears to me that you yourself are not aware of the full significance of this project. I for one am from the so-called near abroad and, as the saying goes, have learned the hard way about the problems of the segment of the local population which some silly politician named "Russian-speaking." Some 30 million Russians who remained after the disintegration of the Union in its former republics were, in essence, robbed once again after the introduction of national currencies. When they leave these states, the money is exchanged for them with a lot of friction, or the exchange is rejected outright, with references made to a lack of Russian rubles. The exchange frequently occurs at locally set, unrealistic, extortionate rates. If you succeed in carrying out your project, millions of Russians will be forever grateful to you.

[Astanin] It is no accident that our house is called Russian.... However, one would think that this project would be advantageous in every sense for the authorities of nearby foreign countries, too. First of all, we will relieve them of some of the problems of conversion; the population will be happy; what else do the authorities need?

[Volkov] How do you manage to attract depositors?

[Astanin] By absolute trust and the ever present desire to comply with the will of our clients. For example, a client brings his money to us today, but tomorrow changes his mind and wants it back. We will give him the money back right away, but with interest for the day. Who else, apart from us, will add the daily dividend for him? Incidentally, we have never promised people fabulous profits. However, our depositors have always known that each 1,000 of their rubles "gains" 3 rubles [R] per day, and effective 1 March of this year we "threw in" another R2 on our own. From now on, each R1,000 invested yields R5 per day to our clients. I will stress—it is R5 per day, with a 100-percent guarantee of receipt of the invested funds in full and with interest immediately upon demand in virtually any city in Russia.

[Volkov] In Volgograd, the "cradle" of the Russian Selling House, the company has not, so to say, always been in the clover....

[Astanin] Correct. At first they looked askance at us; some members of officialdom viewed us disapprovingly. What if the leaders of the company "make tracks" for foreign lands with the cherished attache case? However, the Russian

Selling House has never intended to swindle anyone. On the contrary, in April of last year we indexed the deposits of the population by 30 percent at once. The house invested and is still investing its spare funds in real estate and many other things that will not be carried abroad in any manner. I will now divulge just one commercial secret: We own real estate throughout Russia on a far greater scale than some companies that specialize in this. It appears that something is afoot in Volgograd, too.

[Volkov] Indeed, at a recent press conference the governor of the oblast stated that he is not against selling to your company an unfinished hotel building downtown—the sickening construction project without an end.

[Astanin] We will be happy to buy this “masterpiece” of Soviet industry and turn it into a “dandy.” Of course, it is nonetheless quite offensive, in human terms, that they took so long to accommodate us, and what did this result in? A few days ago two well-known soccer teams played at the local stadium, the Rotor and the Uralmash.... Who would you have us root for? For our Rotor from Volgograd, or for the visitor Uralmash, which our company bought not so long ago?

[Volkov] Nonetheless, as you put it, something is afoot in Volgograd. But what about other regions?

[Astanin] We find good shelter almost everywhere. They know about us, and local leaders very frequently facilitate our “acclimation” in every way possible. Difficulties with the central departments continue. To this day we have been unable to get a license in Moscow. The Central Bank passes off all our letters to the Ministry of Finance, and the latter passes them off to the Central Bank. We intend to finally break the vicious circle. We will take the matter to the courts. Besides, we will open several banks at once in the large cities of Russia.

[Volkov] Are these the immediate prospects?

[Astanin] The most immediate. At the same time, we resolved to invest funds in establishing powerful facilities in the construction industry (we are projecting a construction “boom” by the end of the 1990’s), the development of communications, transportation, and many other economically advantageous projects.

[Volkov] Therefore, you plan your operations, do you not?

[Astanin] Definitely. This is a guarantee of success and the necessary condition for founders, who are young and energetic. S. Gruzin and A. Solomadin were there at the outset of the Russian Selling House, and at present they are the originators of most if not all fruitful ideas that sustain the company. I am not afraid to say that it is precisely due to planning our work, both in the long run and on a daily basis, that we have more than 1 million depositors and a

wonderful infrastructure all over Russia, that we are establishing contacts with various countries, and that we have provided jobs for 10,000 people. To be sure, we are not the trailblazers in this area: Japanese and American businessmen have always planned their operations....

#### DELOVOY MIR Economic Statistics

944E0699A Moscow DELOVOY MIR in Russian  
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[Report by Valeriy Galitskiy, Aris Zakharov, and Aleksandr Frenkel, Russian State Committee on Statistics: “Production Output and Price Dynamics as of 29 March”]

[Text]

#### Prices for Consumer Goods and Services

*The current index of prices for consumer goods and services measured 108.7 percent in March, including for foodstuffs—106.2 percent, nonfood items—111.3 percent, and for-fee services for the population—114.6 percent.*

Since the beginning of the year, prices for goods and services have increased by 44.5 percent, including for foodstuffs—by 40.6 percent, nonfood items—by 37.6 percent, and for-fee services for the population—2.3-fold.

*Over the period 22 to 29 March, prices for goods and services rose by 1.8 percent, including for foodstuffs—by 1.2 percent, nonfood items—by 2.6 percent, and for-fee services for the population—by 1.6 percent. The highest rate of increases in prices for goods and services was registered in cities of the East Siberian economic region (4 percent), and the lowest—in the Volgo-Vyatka region (0.8 percent).*

Indices of prices for consumer goods and services were as follows:

	(as % of the preceding observation date):				
	03/15	03/22	03/29	Average daily price rise	
				March	February
Consumer goods and services	102.4	102.1	101.8	0.21	0.34
including:					
foodstuffs	101.7	101.4	101.2	0.20	0.32
nonfood items	103.1	102.8	102.6	0.34	0.34
for-fee services for the population	103.5	103.5	101.6	0.45	0.48

#### Foodstuffs.

Over the period 22 to 29 March prices in organized and nonorganized trade rose by 1.2 percent and 0.8 percent.



Price changes by main categories of food products are shown below (as a percentage of the preceding observation date):

	Total	including:	
		in organized trade	in nonorganized trade
All food products	101.2	101.2	100.8
including:			
Meat and meat products	101.0	101.4	99.8
Fish and fish products	102.6	102.7	98.5
Milk and milk products	101.2	101.6	98.7
Eggs	98.8	98.8	98.9
Sugar	100.2	100.2	100.0
Bread and bakery products	101.0	101.0	-
Cereals and macaroni items	102.0	102.0	103.3
Vodka	100.1	100.1	98.7
Potatoes and vegetables	105.9	105.8	106.1

As during the preceding week, over the period 22 to 29 March vegetable prices in organized trade rose at an anticipatory rate: onions—by 15 percent, fresh cabbage—by 9 percent, and carrots—by 7 percent. High rates of price increases persisted with respect to frozen fish, salt, and some varieties of cereals (4-7 percent). There was practically no change over the week in prices for poultry meat, butter, sugar, eggs, bread, vodka, and potatoes.

Over the month of March vegetable prices went up by 26 percent; those for frozen fish—by 23 percent; bread, bakery products, and cereals—by 12-14 percent; milk products—by 10 percent; and meat and meat products—by 6 percent. There was a considerable increase over the month in the price of salt (28 percent).

Similarly to organized trade, the greatest price increases in nonorganized trade were registered with respect to fresh produce: prices for onions went up by 6 percent, fresh cabbage—by 7 percent, and garlic—by 32 percent. With

respect to other products, there was practically no change. Since the beginning of the month vegetable prices have gone up by 22 percent, and those for meat and milk products remained practically unchanged.

The cost of the consumer basket of 19 basic foodstuffs increased over the week by 1.4 percent and as of 29 March amounted to 44,300 rubles [R], calculated on a monthly basis. The price differential between monitored cities measured a factor of 4. In terms of the cost of consumer basket, St. Petersburg and Moscow ranked 34th and 39th among 132 monitored cities (R49,200 and R48,000 on a monthly basis).

#### Nonfood items.

Prices for basic medicines increased over the week by 6.6 percent, and for fabrics—by 3.4 percent. Prices for light industry goods increased by 1.7-2.8 percent.

Over the month of March prices for medicines increased by 24 percent; fabrics—by 14 percent; garments, knitwear, and household and cultural goods—by 10-11 percent; footwear—by 7 percent, and tobacco items—by 4 percent.

#### For-fee services for the population.

Over the week there were no substantial changes in the cost of for-fee services for the population.

Over the month the greatest rate increases were registered with respect to municipal housing and hot water (1.5-fold). In some cities (Krasnoyarsk, Petrozavodsk) local administrative bodies made the decision to postpone putting in effect new rates for municipal services. The cost of city bus fares rose over the month by 31 percent, and that of services of cultural establishments and some categories of consumer services—by 22-28 percent.

#### Workers' Wages in Economic Sectors

The average wage earned by workers in February of this year amounted to R144,700 and increased as compared to February of last year 7.4-fold, and in January of this year by 8 percent; taking into account social allowances and financial aid—R154,800, 7.5-fold, and 8 percent, respectively.

	February 1994	February 1994 in relation to	
		February 1993 (factor)	January 1994 (%)
Average monthly wages of workers—thousand rubles	144.7	7.4	108
including:			
industry	153.1	6.7	110
including:			
gas	605.7	8.8	78
oil	378.6	6.2	105
coal	333.9	7.3	103
machine-building	110.9	6.5	113
light	90.6	5.3	112
agriculture	59.1	5.8	102

	February 1994	February 1994 in relation to	
		February 1993 (factor)	January 1994 (%)
construction	189.5	7.5	111
transportation	231.5	8.8	103
health care, physical culture, and social security	122.6	9.0	100
education	114.8	7.4	101
culture and arts	103.5	7.9	102
science and science-related services	107.3	8.6	113
credit and insurance	348.4	7.4	107
administrative organs staff	206.9	8.4	125

Workers' wages in the gas industry amounted to 10 subsistence minimum values a month; in the oil and coal industry, credit and insurance, and transportation—4-6; in health care, education, culture and art, science and science-related services—less than 2; and in agriculture they were below the subsistence minimum.

Over a period of one month, wages in February of this year in the material sphere sectors rose by 10 percent, in the nonproduction sphere—by 7 percent.

In almost all territories of the Russian Federation consumer prices in February rose faster than wages. Wage increases in the republics of Karelia and Kalmykia, Kirov, Irkutsk, Samara, Nizhniy Novgorod, and Krasnoyarsk Kray were greater than the average in Russia as a whole—by 16-19 percent.

#### Export and Import Through Barter Operations

According to Russian Goskomstat [State Committee on Statistics] data, Russia's barter (exchange of goods not involving monetary payments) turnover with far abroad foreign countries in 1993 amounted to \$8.678 billion and increased as compared to 1992 by 30 percent, including \$4.941 billion worth of exports (by 37 percent) and \$3.737 worth of imports (by 22 percent).

The value of barter operations is estimated either at world prices or at prices of individual deals for similar goods.

Of the total volume of Russia's export-import operations in 1993, barter accounted for: exports—11.5 percent (8.5 percent in 1992); imports—13.8 percent (8.3 percent in 1992).

The predominant items in barter exports were raw materials and semifinished goods (about 70 percent); received in exchange were consumer goods (more than 60 percent).

The following goods led the list in terms of volume of barter exports:

	Value, \$ million	Quantity	Share of barter in total exports of this item (%)
Quick-frozen fish, thousand tonnes	399	384	37
Aluminum, thousand tonnes	343	333	19
Rolled iron and steel, thousand tonnes	286	1,027	26
Semifinished goods made of iron and non-hardened steel, thousand tonnes	264	1,428	24
Bituminous coal, thousand tonnes	206	6,975	36
Petroleum products, thousand tonnes	142	1,361	4
Crude oil, thousand tonnes	141	1,362	2
Mineral fertilizer, thousand tonnes	121	1,386	13
Round timber, thousand cubic meters	92	1,855	17
Pig iron, thousand tonnes	91	992	46
Iron ore, thousand tonnes	88	3,939	37

The following goods led the list in terms of volume of barter imports:

	Value, \$ million	Quantity	Share of barter in total imports of this item (%)
Textile garments	327	-	31
White sugar, thousand tonnes	225	504	38
Knitwear	192	-	32
Passenger cars, thousand units	186	36	30
Leather footwear, million pairs	136	10.2	21
Canned meat, thousand tonnes	133	74	48
Leather garments	114	-	31

Russia's barter operations turnover with China in 1993 amounted to \$2.965 billion (34 percent of the total volume of barter turnover); with Germany—\$526 million (6.1 percent); Switzerland—\$412 million (4.7 percent); Hungary—\$296 million (3.4 percent); Great Britain—\$250 million (2.9 percent); the Netherlands—\$238 million (2.7 percent); and the United States—\$227 million (2.6 percent).

#### Housing Conditions of the Population

As of the beginning of 1994, 9.1 million families, or 18 percent of all families, were on waiting lists of local authorities, enterprises, and organizations for housing. As

compared to the preceding year, the number of families on the waiting list in Russia as a whole dropped by 542,000.

Of the total number of families on housing waiting lists in Russia, 15 percent live in communal apartments, 13 percent—in dormitories, and 4 percent—in decrepit and dilapidated housing; 15 percent have been on the waiting list for 10 or more years.

In 1993, 897,000 families, or 51,000 fewer than in 1992, received housing or improved their living conditions; of them, 826,000 had been on waiting lists; 828,000 new families were put on waiting lists and 640,000 removed for a variety of reasons.

The dynamics of improvement in the population's living conditions over a number of years are characterized by the following data:

	1990	1991	1992	1993
Number of families that have improved their living conditions, thousands	1,296	1,100	948	897
as % of the number of families on the waiting list	14	11	10	9
Number of families on waiting lists at the end of the year, thousands	9,964	10,029	9,646	9,104
as % of total number of families	20	20	19	18

More than 17 percent of all families on the waiting list are families in categories entitled to preferences. The data of these families receiving housing and improving living conditions and the number of those on the waiting list are characterized by the following data:

	Number of families on the waiting lists for housing as of 1 January 1994		Number of families who received housing and improved living conditions in 1993	
	thousands	as % of the total	thousands	as % of the number of families on the waiting list
Families—total	9,104	100	897.3	9.3
including:				
disabled veterans of the Great Patriotic War	99	1.1	7.4	7.3
veterans of the Great Patriotic War	227	2.5	7.8	3.2
military servicemen—veterans of Afghanistan war	64	0.7	6.0	9.4
military servicemen transferred to reserved or retired	108	1.2	10.1	11.7
families with many children	415	5	34.8	7.9
young families	583	6.4	69.9	11.9
persons who participated in work on consequences of the Chernobyl disaster	25	0.3	3.5	15.9
refugees	14	0.2	3.2	40
forced migrants	8	0.1	3.6	45

The greatest proportional share of families on the waiting list in the total number of families was in Tyumen Oblast—37 percent, the Republic of Komi—30 percent, Sakhalin Oblast—28 percent, and Mari Republic, Kaliningrad Oblast, and St. Petersburg—27 percent each.

#### Status of Coal Production in Main Coal Basins

In 1993 production of coal in Russia as a whole and in the main coal basins continued to decline. Indicators that characterize the situation with the main coal basins in 1993 are shown in the table below:

	Total in Russia	including by coal basin:				at Far East deposits
		Kuznetsk	Kansk-Achinsk	Donetsk	Pechora	
Coal production, million tonnes	305	107	41.6	22.3	22.5	39.0
as % of 1992	91	89	81	96	92	96
including for coking	62.4	41.4	-	1.9	13.7	5.3
as % of 1992	88	87	-	102	89	95
Coal production at strip mines, million tonnes	166	43.5	41.6	-	-	28.1
as % of 1992	91	91	81	-	-	99.5
Decrease, increase (+) in production capacities as compared with 1992, million tonnes	14.0	7.7	+0.5	1.5	0.5	1.0
Remainders of coal at enterprises as of 01.01.94, million tonnes						
in real terms	19.2	8.3	0.4	3.1	1.0	3.3
normal inventory level	10.4	5.3	0.2	0.8	0.5	1.9
Loss of work time as a result of strikes, thousand man-days	140	6.4	-	55.8	70.6	-

The decline in the volume of coal production stems to a considerable extent from the diminished investment in sector development. In 1993 alone the volume of capital investment from all sources of financing has dropped as compared to 1992 by 25 percent.

The shortage of money speeded up the process of shrinkage of the coal production base. Over 1991-1993, as a result of depletion of deposits and changes in mining and geological conditions, capacities for production of 78.6 million tonnes of coal went off line, while capacities for production of only 21.2 million tonnes were put on line, including for 20.8 million tonnes and 6.8 million tonnes in 1993, respectively.

Higher prices for the coal produced do not solve the problem of lack of money to invest in sector development. In 1993 coal prices grew as compared to 1992 10.2-fold, while rates for railroad freight increased 18.2-fold.

Nonpayments for products shipped keep growing. The total amount of coal enterprises' accounts receivable as of 1 January 1994 amounted to R1.1 trillion. As of 1 March 1994, 20.2 million tonnes of coal had accumulated at coal-producing enterprises' warehouses, which is twice as high as the norm.

Loss of work time as a result of strikes is increasing. While in 1992 it amounted to 91,000 man-days, in 1993 the number grew to 140,000, of which 64,000 were lost in January-February of this year.

The decline in coal production is to a large degree a result of the reduction in the volume of preparatory work and the resulting diminished front of mineral extraction work. In

1993 the volume of opening and preparation work declined as compared to 1992 in Russia as a whole by 12 percent, including at Kuznetsk Basin enterprises by 13 percent, at the Primorskugol association—by 16 percent, at Severovostokugol—by 17 percent, while at the Yakutugol association it increased by 11 percent. The average operating length of stoping faces decreased by 7 percent, including at Kuznetsk Basin—by 10 percent, and Severovostokugol—by 26 percent. The level of labor mechanization in the sector is falling. The proportional share of coal production in faces with hydraulically operated lining where integrated mechanization is used fell from 84 percent in 1994 to 80 percent in 1993. Maritime Kray and Sakhalin mines remain the least mechanized—the share of coal produced by the aforementioned kind of faces there comprised 52 percent and 57 percent in 1993, respectively.

In January-February of this year 50.3 million tonnes of coal was produced in the Russian Federation, which is 8 percent less than over the analogous period of last year, including in the Kuznetsk Basin—10 percent less, Donetsk—5 percent less, and the Far East—23 percent less. Production of coal in the Pechora Basin increased by 3 percent, and in Kansk-Achinsk—by 7 percent.

#### Material and Technical Base of Farmers Markets

As of the beginning of the current year, 1,874 farmers markets were operating in the Russian Federation. As compared to the beginning of 1993 their number declined by 111 (6 percent).

Of the total number of markets, 57 percent were the property of consumer cooperatives, 24 percent were state-owned, 15 percent—privately owned, and 4 percent were of mixed ownership.

The status of the material and technical base of farmers markets is characterized by the following data:

	In operation as of 1 January 1994, units	As % of the number in operation as of 1 January of	
		1991	1993
Number of markets	1,874	79	94
sales counter slots in them, thousands	513	95	103
Enclosed markets	481	119	108
sales counter slots, thousands	93	118	111
Pavilions	1,552	64	92
sales counter slots, thousands	76	75	85
Hotels	93	65	97
accommodations in them, thousands	4	62	89
Veterinary and health inspection laboratories	924	66	86
Refrigeration equipment (display cases, counters, coolers)	2,941	82	90
Covered tables, thousand linear meters	191	89	99
Noncovered tables, thousand linear meters	153	104	115
Kiosks	4,754	118	136

Currently, one out of every four markets are of the enclosed variety. There are no enclosed markets in the republics of Tuva, Karachay-Cherkessia, Kostroma, Tula, and Astrakhan Oblasts, and Yevreyskaya Autonomous Oblast. Half of the markets are not equipped with mechanically powered refrigerating equipment. On average there are only two mechanically powered refrigerators per market, one cooler or one refrigeration chamber. One out of two markets does not have a veterinary and health inspection laboratory.

Hotels and farmers boarding facilities exist only at one out of 20 markets (of them, one-quarter are in Moscow and 9 percent in St. Petersburg).

#### Consumer Services Enterprises

As of the beginning of 1994 in Russia the organs of state statistics counted officially on record 86,556 consumer services enterprises of all forms of property, which is 5 percent fewer than a year ago—a result of the liquidation of some of them.

The distribution of consumer services enterprises by form of ownership as of 1 January 1994 is characterized by the following data:

	Number of salons and shops, units	as % of the total as of		Average number of employees on payroll per enterprise, persons
		01/01/1994	01/01/1993	
Total	86,556	100	100	11
including by form of ownership:				
state	44,222	51	76	11
private	31,850	37	19	10
other nonstate	10,484	12	5	12

The share of the private sector is higher among enterprises engaged in custom shoe-making (45 percent of the number of facilities providing this service), shoe repair (47 percent), and beauty salons (45 percent).

#### Serving Passengers in Intercity Transportation

The organs of state statistics have conducted a selective survey of the quality of passenger service in airports and

on airplanes, at railroad stations and on long-distance trains. The sample of passengers who answered the questionnaire at railroad stations and long-distance trains included 1,643 persons, and in airports and airplanes—703 persons.

The survey showed that quality of service, which should be a decisive criteria of an enterprise's ability to compete, currently remains low.



	As % of respondents	
	Railroad transportation	Air transportation
Proportional share of passengers dissatisfied with:		
ticket window operations	42	33
waiting halls operation	66	55
organization of luggage handling	38	51
organization of public catering at station (airport)	62	57
condition of car (aircraft cabin)	43	29

At railroads only one half of the respondents had been able to purchase train tickets at advance ticket sale facilities; 39 percent of respondents were able to do so only at the ticket window at the station on the day of departure. In doing this, 873 persons (53 percent) spent more than half an hour waiting in line for the tickets, and of them, 272 persons (17 percent) spent between one and three hours, and 113 persons (7 percent) more than three hours.

Long waiting lines at rail station ticket windows (between one and three hours) was noted by many passengers in Kursk, Saransk, Moscow, Tambov, Kirov, Volgograd, and Samara; more than three hours—in Tambov, Kirov, Nizhny Novgorod, and Saransk.

Passenger complaints regarding the operation of ticket windows note first and foremost the tactless behavior of ticket window personnel (41 percent dissatisfied), as well as the fact that they were offered a different category of car (26 percent), not the train they wanted (13 percent), or a different departure date (14 percent).

Unmet demand for rail tickets gives rise to abuses: 107 persons (6.5 percent) had to buy tickets from scalpers. The greatest number of such instances was noted in Saransk (18), Tambov (12), Lipetsk (8), and Kirov (6). Shortage of rail tickets is frequently created artificially or arises from poor organization of ticket window operations. This is supported by the fact that 284 persons (42 percent of the number of those dissatisfied with ticket window operations) noted a great number of vacant seats on the train while no tickets had been available at the window. Many such instances were noted especially on trains departing from Saransk, Moscow, Kirov, Tambov, Vladivostok, Blagoveshchensk, and Astrakhan.

Two-thirds of the survey respondents—1,085 persons—were dissatisfied with waiting hall operations. The greatest number of complaints (68 percent of those dissatisfied) were prompted by the fact that waiting halls are overcrowded—people have to sit on the floor and on their luggage—as well as stations' unsatisfactory sanitary conditions (66 percent). An especially great number of passengers noted the crowded waiting halls at rail stations of Vologda, Orenburg, Ulyanovsk, Rostov-na-Donu, Tyumen, Khabarovsk, Cheboksary, Saransk, Orel, Tambov, Vladivostok, Kazan, and Moscow; and unsanitary conditions—in Arkhangelsk, Saransk, Khabarovsk, Astrakhan,

Volgograd, St. Petersburg, Yaroslavl, Vladivostok, Ivanovo, Kostroma, Moscow, Krasnoyarsk, and Orenburg.

More than 1,000 respondents were dissatisfied with the organization of public catering at stations. The situation is worst with respect to this service in Cheboksary, Saransk, Krasnodar, Stavropol, Vladivostok, Lipetsk, Tyumen, Izhevsk, Tomsk, Kazan, Novgorod, St. Petersburg, Moscow, Petrozavodsk, Yekaterinburg, Belgorod, Ryazan, Pskov, and Blagoveshchensk.

Of almost 500 persons who needed to use mother-and-child facilities, only 44 percent were able to do so.

Most passengers who participated in the survey traveled in sleeping compartment (36 percent) and regular sleeping (50 percent) cars. The condition of cars left 714 persons, or almost half of all respondents, dissatisfied. Of them, the overwhelming majority (69 percent) pointed out the unsanitary conditions of restrooms; one half noted malfunctioning lighting, electric outlets, or wire radio; 37 percent—unsatisfactory ventilation of rail cars; 33 percent—dirt in passageways; and 30 percent—unavailability of boiled water.

The greatest number of complaints regarding the unsanitary condition of trains was voiced with respect to trains operated by the Moscow, Gorkiy, and Baykal-Amur Railroads; various malfunctions of doors, windows, and various equipment—on trains operated by the Moscow, North-Caucasus, Sverdlovsk, Transbaykal, and Baykal-Amur Railroads.

Half of surveyed passengers were not offered tea on the train. More than three-quarters of passengers were not provided this elementary service on the trains operated by the Volga, West-Siberian, Far-Eastern, and Baykal-Amur Railroads.

Only 162 persons, or less than 10 percent of respondents, used the services of the dining car (on-board food service counter). Of them, 63 percent were left unsatisfied with the quality and assortment of food, and 36 percent encountered poor service. The greatest complaints were noted with respect to operation of dining cars on trains operated by the Moscow, Kyubyshev, South-Urals, and Far-Eastern Railroads.

In air transportation, despite considerable fare increases the population's demand for transportation is still not fully met. For instance, 31 percent of surveyed passengers were not able to purchase a ticket for the departure date they wanted, and 22 percent—for the desired flight. At the same time, 46 percent of respondents noted that while no tickets were available at the ticket window, there were vacant seats in the aircraft cabin. Eight percent of passengers spent more than three hours in order to purchase tickets; 7 percent spent between one and three hours, 19 percent—between 30 and 60 minutes, and 66 percent—less than 30 minutes.

As a result of lines and tactless ticket window clerks, 33 percent of passengers expressed dissatisfaction with this service. A great number of complaints were voiced by



passengers in Voronezh, Kazan, Groznyy, Kurgan, Irkutsk, Kyzyl, Vladivostok, Tyumen, Blagoveshchensk, and Krasnodar.

Passenger service at airports is also characterized by low quality. These days, when scheduled flights are frequently canceled and passengers forced to spend several days at the airport waiting for their flight due to disruptions in fuel deliveries, the problem of quality service is especially acute. The survey showed that airport services cope poorly with this task. More than half of surveyed passengers were dissatisfied with waiting halls operations; of them, 49 percent noted overcrowding, 64 percent—unsatisfactory sanitary conditions, 25 percent—malfunctioning ventilation and lighting, and 27 percent—too few restrooms. Unsatisfactory operation of communication services at airports was noted by 47 percent of passengers; of them, 35 percent noted too few functioning long-distance telephones, 44 percent—poor organization of coin-changing operation, and 15 percent—no facilities to send a cable. Operation of airport information kiosks was found unsatisfactory by 30 percent of respondents. Half of the passengers encountered poor luggage handling, of whom 25 percent noted difficulties encountered in checking luggage at the checkroom, 37 percent—absence of automatic storage lockers, and 52 percent—long wait for luggage after the flight; 42 percent of passengers had their luggage damaged or lost in transportation.

Especially low quality of service was noted at airports in the following cities: Groznyy, Samara, Yakutsk, Gorno-Altaysk, Magadan, Vladivostok, Blagoveshchensk, Makhachkala, and Kurgan.

Passengers these days also get minimal convenience and comfort on board the aircraft as well. Of passengers dissatisfied with the condition of the aircraft cabin, 43 percent pointed out unsatisfactory sanitary conditions, 78 percent—malfunctioning passenger seats, lighting, and ventilation, and 32 percent—unsatisfactory condition of lavatories.

Especially many complaints regarding the condition of the aircraft cabin came from passengers flying on aircraft of the Domodedovo production association (59 percent of respondents) and enterprises that are part of the Yakutsk (50 percent), Southern (40 percent), and Komi (38 percent) regional civil aviation administrations.

The most common service offered to passengers aboard aircraft was refreshments (this service was offered to 69 percent of respondents). In addition, 29 percent were offered newspapers and magazines, 15 percent—souvenirs, 6 percent—board games, and 1 percent—a video to view. One-fifth of passengers were offered no services at all.

### **Duma Eyes Own TV Channel**

944F0569C Moscow MOSKOVSKIY KOMSOMOLETs in Russian 30 Mar 94 p 3

[Article by Andrey Stepanov: "Over the Air Waves—the 'Deputy's Daybreak': Freedom of Speech Does Not Have Long to Live"]

[Text] The State Duma has taken decisive action to carry out a program for the radical brainwashing of the citizens. For this purpose a decree is being prepared, to create a special Duma television company, and a law that requires the state SMI [mass media] to publish the "acts" enacted by that house is already practically finished.

The need for the law is obvious: the Duma enacted a decree on amnesty, but it proved to be unable legally to implement it, that is, to promulgate it. This time Speaker Rybkin proved to be in luck. The execution of his desire depended not upon an honest procurator, but upon the lady who manages a newspaper that does not belong to the Duma. In general, the little problem was worked out and the little matter was settled. (On the eve of the amnesty, true, V. Isakov, a farsighted strategist in the opposition, attempted to push through a piece of paper to the effect that the Duma was authorizing itself to promulgate its own decisions in state newspapers.) In one way or another, the Duma is preparing a federal law to assure the prompt promulgation of its statements. But, pending the approval of that law by the Security Council and the president, there remains the danger that one of the editors in chief might refuse to publish the Duma's opinions in his newspaper.

As for television, the situation is even more interesting. On the one hand, the state does not have any money for broadcasting, and, on the other hand, it is proposed that the Duma television and radio company will be given air time every day (that's right, every day!) up to 45 minutes of prime time. Obviously at the expense of the state television and radio companies. Why should the taxpayer have to spend money? Well, because the journalists, in the deputies' opinion, just as they did during the Khasbulatov days, came to an understanding, are expressing "incorrect" opinions, and are asking questions not of those who have accumulated a greater number of them. Obviously, no consideration is being taken of the fact that the Duma deputies, even without decrees, appear regularly on television. The citizens can have absolutely no desire to see their deputies and faction leaders on the screen (although they are paying for this!), but the election is almost upon us and, under the sauce of Duma news, political associations can carry out their campaigns at no cost to themselves. Can anyone refuse that?

The question of who will manage the Duma's television service would seem to be unessential if the person who was accepted promptly into the Duma's press center in the position of the head of the television and radio sector had not been Yuriy Marechenkov, who had been the manager of Khasbulatov's press service and whose television creation "Parliamentary Hour" is still alive in the memory of television viewers.

This is, however, only one side of the problem. The other side—how the Duma can make itself safe against criticism—also has not failed to attract attention. A Duma decree on how the mass media are supposed to illumine its activities has already been enacted. Soon there will be a federal law, entitled "Procedure for Illumining the Activities of State Agencies of Authority in the State Mass

Media," and a new wording of the law entitled "Television and Radio Broadcasting" (the law will be reviewed in the Duma in late April).

The only thing that is completely unclear for the time being is how the Duma plans to conceal these charms behind such a big smoke screen.

### **Journalist Groups Decry Role of New Television Service**

944F0570A Moscow *OBSHCHAYA GAZETA*  
in Russian No 13, 1 Apr 94 p 13

[Article by Anna Kachkayeva under the rubric "Recurrence": "TV Is Still Outside the Law. Could This Be for the Better?"]

[Text] Last week, the Union of Journalists of Russia, the Glasnost Defense Fund, and the Committee in Defense of Freedom of Speech and Rights of Journalists held hearings on the draft Regulations on the Federal Service for Television and Radio Broadcasting of Russia. The Federal Service, which was established by an edict of the president in December 1993, became the successor of the Ministry of the Press and the Federal Information Center. As the regulations show, it did not just inherit but also multiplied the functions of the two predecessor organizations. The text betrays a certain nostalgic desire to recreate some kind of Ministry of Propaganda.

As the anonymous authors think, the new agitation and propaganda arm will not just control, verify, and issue and revoke licenses but also monitor off-budget funding for TV and radio companies and analyze the content of audio and visual materials, which may be interpreted as the introduction of censorship.

The duties of the chairman are as specific as can be: The chairman of the Federal Service may directly influence the information policy of the state because he is granted the absolute right to appoint and dismiss the heads of all-Russian state broadcasting and regional TV and radio companies, as well as approve regulations on territorial TV and radio broadcasting services.

This cannot fail to remind us of the rigid pyramid of the State Committee for Television and Radio Broadcasting with its local committees still before the federal era!

The new centralized organ is ready to extend its influence to independent TV and radio companies. As Igor Malashenko, general director of the NTV [Independent Television] independent TV company, put it, only the right to mint its own coins is not set forth in this "delirious" text.

As is usually the case, such documents see the light of day under quite mysterious circumstances. The text of the regulations was discussed with bewilderment at a conference of chiefs of regional TV and radio companies; thereafter, it accidentally ended up in the committee for defending the rights and freedoms of journalists. It came out at the hearings that the authors of the regulations have not been found. The preparers did not wish to show up at the discussion of their own creation, either. So, it is still unclear who penned the document.

The management of the Federal Service has stated that it has nothing to do with this opus. According to Kirill Ignatyev, chairman of the Subcommittee for Television and Radio Broadcasting of the parliamentary Information Committee, Aleksandr Yakovlev said in a conversation with him that the draft regulations are actually the "typist's version." Apparently, the "typist" is the proverbial "fall guy" with whom Russians are so familiar.

Representatives of the parliamentary committee, the court chamber for information disputes, state and nonstate TV and radio broadcasting companies from Moscow and the regions, experts, and journalists were of the same mind: The document contradicts existing legislation and broadcasting practices to such a degree and, in essence, violates the right to freedom of information that serious discussion of it is out of the question.

However, the opinion on the regulations expressed at the hearings is, after all, emotional in nature, it is called upon to put the authorities on notice about what the community of journalists thinks. It does not at all mean that the Regulations on the Federal Service, which are "making the rounds" of Kremlin offices and, according to some information, collecting endorsements, will not become official. Their circulation may be a trial balloon floated in order to determine the attitude toward the maximum program, some details of which may later be abandoned.

Therefore, it is premature to close the discussion, all the more so because participants in the hearing familiarized themselves with the draft of a new edict of the president, according to which the Federal Service should be abolished, along with the Committee for the Press. It is planned that a new Federal Information Service of Russia will be established instead of them which will coordinate the activities of newspapers, television, radio, information agencies, and publishing houses. If the draft edict is to be believed, it will be headed by the already mentioned Aleksandr Yakovlev.

*P.S. Early last week quite a number of other documents associated with television and radio were discussed at the Russian-American Information Press Center: the draft laws on television and radio broadcasting, on federal communications, on state protectionist measures with regard to the mass media, and on procedures for coverage of the activities of organs of state power by state-owned mass media. All of them drew many bewildered questions from those in attendance. To be sure, lawyers who were conducting this meeting "reassured" the audience: The Law on Television and Radio Broadcasting (as well as other legislative acts) will hardly be passed by the current membership of the State Duma. Apparently, television will have to exist, just as before, outside of the law. Who knows—it might be for the better, especially if we take into account the imperfection—to put it mildly—of most documents submitted to the public for judgment.*

**Zhirinovskiy Launches Libel Suits***944F0570B Moscow KOMMERSANT DAILY  
in Russian 31 Mar 94 p 14*

[Article by Andrey Kobich: "Lawsuits by Vladimir Zhirinovskiy Against the Mass Media: The Deputy Denies His KGB Connection"]

[Text] Yesterday Deputy of the State Duma Vladimir Zhirinovskiy filed all at once five lawsuits for protection of his honor and dignity against various mass media at the Savelovskiy, Ostankinskiy, and Presnenskiy Courts of Moscow. The deputy priced the moral damage he suffered at 1.5 billion rubles [R] (the amounts of the lawsuits range from R100 million to R500 million). Meanwhile, three other lawsuits by the LDPR [Liberal-Democratic Party of Russia] are already being considered by the courts. Mr. Zhirinovskiy is demanding compensation for the moral damage inflicted on him by unsubstantiated accusations of being a fascist and cooperating with the state security organs.

According to Mr. Zhirinovskiy's attorney, Sergey Belyak, his client brought the first lawsuit for protection of honor and dignity against the POSTFACTUM agency, the newspaper MOSKOVSKAYA PRAVDA, and former LDPR comrades-in-arms Yevgeniy Smirnov and Vladimir Bogachev. As early as 1990 they disseminated a leaflet in which they called Mr. Zhirinovskiy "a KGB secret associate and adventurer." MOSKOVSKAYA PRAVDA published, quoting POSTFACTUM, an interview with Mr. Bogachev in which similar expressions were used. However, in January 1993 proceedings in the case were postponed indefinitely. Zyuzinskiy Court Judge Galina Rodina was unable to evaluate the meaning of the words "seksot" (secret associate) and "adventurer." The records of the case were submitted to the Institute of the Russian Language for expert review. In the opinion of Mr. Belyak, rumors about Mr. Zhirinovskiy being a KGB agent started at that moment. Mr. Zhirinovskiy has already collected through the courts R20,000 from the STOLITSA magazine and R50,000 from the newspaper ROSSIYA over such charges.

At present, Mr. Zhirinovskiy is defending his honor and dignity in two other courts. On 21 March proceedings were postponed in a case instituted against MOSKOVSKIYE NOVOSTI, which had accused Mr. Zhirinovskiy of having a KGB connection since his college years. Sergey Belyak stated that the case may be resolved amicably if the newspaper publishes a refutation. On 25 March proceedings were postponed in a case instituted against the newspaper MOSCOW TRIBUNE because of the failure of the author of the article, Colleen Sanders, to appear. In a report on his visit to the LDPR, Mr. Sanders stated that there were people wearing SS uniforms in Zhirinovskiy's entourage who were "cocking automatic rifles." The attorney maintains that the LDPR Statute does not call for armed units and fascist symbols.

Yesterday, Mr. Zhirinovskiy filed a lawsuit at Ostankinskiy Court against the RGTRK [All-Russian State Television and Radio Broadcasting Company] Ostankino and Oleg Kalugin, who stated in the documentary "Hawk"

shown on the eve of the elections to the State Duma that Zhirinovskiy was a recruited agent of Soviet special services. Moral damage to the LDPR leader was evaluated to be R300 million. Mr. Zhirinovskiy filed two lawsuits in Savelovskiy Court: against the VIP magazine and Anatoliy Sobchak (the amount of the lawsuit is R300 million), who believes that the LDPR "is a typical creature of the KGB," as well as against the VTRK [All-Russian Television and Radio Broadcasting Corporation], and Yegor Gaydar, who said in one of the broadcasts that Zhirinovskiy reminded him of "Hitler in 1929." Two lawsuits by Mr. Zhirinovskiy were lodged with Presnenskiy Court. The first is against the TV company NTV [Independent Television] and Andrey Kozyrev (for R300 million), who attributed to Mr. Zhirinovskiy the phrase "Russians above all" and on this basis accused him of being a fascist. The second lawsuit names the newspaper KURANTY (the amount of this lawsuit is R100 million), to which Mr. Zhirinovskiy allegedly stated that "clan and tribal societies" (the Balts, Tajiks, and Uzbeks) should starve rather than live at the expense of Russians. Sergey Belyak noted that the General Procuracy has instituted a criminal case against his client for war propaganda (see KOMMERSANT, 27 January 1994) on the basis of this publication, as well as the book "The Final Thrust Southward."

**Organization of Security Service Viewed***944F0571A Moscow MOSKOVSKIY KOMSOMOLET  
in Russian 30 Mar 94 p 3*

[Article by Dmitriy Kholodov: "You Will Feel Like a Civilized Person: Federal Counterintelligence Service Fits Into Statute"]

[Text] The Statute on the Federal Counterintelligence Service [FCS], signed by the president on 5 January 1994, has been protected from outsiders' eyes until now by the "For Official Use Only" designation. This designation is not part of the law on state secrets, but continues to perform its service in some agencies along with the "Not For Publication" stamp. Therefore we learn what kind of special service taxpayers are financing almost four months later, when the absurd designation is removed from the statute and the FCS' organizational development is already complete.

This is how "imperceptibly" Russia took its first step down the path to creating a civilized special service. We also have to name the project's authors. Most likely we should count as such former FCS Director Nikolay Golushko, Security Council Secretary Oleg Lobov, Sergey Stepashin, and Yuriy Baturin, although the latter joined the "process" at a later stage. And it will be Sergey Stepashin, FCS current director, who will have to prove that the mechanisms offered by him, first, will work, and second, are civilized.

In the uncivilized category in the former organs was the ability to conduct political surveillance. On the other hand, over the past few months the MB [Ministry of Security] was constantly being accused of reluctance to take on radical groups and inability to keep the president and society informed in a timely manner on the political



situation in the country. Such criticisms were heard after 1 May 1993, when an OMON [Special Designation Militia Detachment] soldier was killed, and after the events of 3-4 October, at which Barkashov commandos appeared. The authors of the statute defined this sphere of FCS activities very delicately as "suppression of illegally created or banned public associations encroaching on the constitutional system of the Russian Federation." Also, they included it in the same point as "combating terrorism, illegal arms distribution and drug trafficking, and illegal armed formations," which indirectly indicates the administration to which the transformed functions of the former Fifth—ideological—Directorate for Protection of Constitutional System will be transferred. In addition, according to the statute, among FCS tasks now are:

- counteracting foreign special services;
- obtaining information on threats to the Russian Federation security;
- providing this information to the president;
- protecting state secrets;
- counterintelligence support for state borders.

The FCS staff is set at 75,000 persons, although Stepashin himself considers this figure inadequate; the statute gives him the right to submit to the president a proposal to increase it.

According to the statute these thousands of counterintelligence officers are divided into military counterintelligence organs in the armed services, and territorial organs. Also, their independence from local bodies of authority is emphasized. There is also a separate point that emphasizes FCS independence from the legislative branch: Point 3—"The FCS is subordinated directly to the president of the Russian Federation." There is not a word in the statute about the parliament. One can easily foresee great arguments in the future around this point. Quite possibly this summer the State Duma will be adopting the law on the FCS, similar to the law on foreign intelligence, already in effect since 11 August 1992. In the new draft law the deputies will probably attempt to move away from such a categorical wording, at least closer to the one written in the law on the FIS [Foreign Intelligence Service]: "The general leadership of foreign intelligence organs is carried out by the Russian Federation president."

In addition to general provisions, tasks, and functions, the statute sets forth the special service's administrative organs. It is "headed by the director, appointed to the job and relieved from the job by the Russian Federation president." The director, his deputies, as well as several other high-ranking officials comprise the FCS collegium, which "considers and makes decisions by simple vote on the most important issues. The director, however, has power of veto."

The productivity (that is, what kind, how much, and the quality of information the president will receive) of the new special service is limited by the financial abilities of the state. At a press conference on Friday Sergey Stepashin

for the first time announced approximate figures for his service's budget. "All in all" it is envisaged to appropriate for the FCS "about 700-800 billion—up to 1 trillion rubles [R]." One would salute such openness on the part of the director if he also told us how long this money is supposed to last. If this is the annual budget, one can only sympathize with FCS staff: There will be only about R100,000 a month per each of them.

One should not judge the statute's authors harshly. First, because they had only two weeks—which included New Year celebrations—to draft it. And second, nobody in Russia so far had any knowledge as to how a civilized special service is supposed to function.

Therefore, the best thing to do is not rely on the statute's dry provisions but count on time, willy-nilly, making a real special service out of the former organs.

#### Baturin on 'Special Services'

944F0571B Moscow KURANTY in Russian 6 Apr 94  
pp 4, 5

[Article by Yuriy Baturin, national security adviser to the president of Russia: "The Special Service That 'Came In From the Cold'"]

[Text] Yuriy Mikhaylovich Baturin is a doctor of law. He was born in 1949 in Moscow. In 1973 he graduated from the airspace research department of the Physics and Technology Institute in Dolgoprudnoye. He worked in the Energiya Scientific-Industrial Association. Since 1980—in the State and Law Institute. He graduated by correspondence from the All-Union Juridical Institute and the Moscow University School of Journalism. The topic of his doctorate dissertation was computer law. In 1990 he went through internship in Washington, and since 1991 worked on the staff of G. Shakhnazarov—M. Gorbachev's aide. Since 1992—in the Gorbachev Foundation. On 17 March 1993 he was appointed a member of the Presidential Council, and in June of the same year—the Russian Federation president's adviser on legal issues. In January 1994 he was appointed the Russian Federation president's national security adviser. Since March 1994 he has also chaired the commission on supreme military positions, supreme military and supreme special ranks of the Personnel Policy Council. He has authored many works. He was one of the authors of the draft law on the mass media.

"In from the cold"—this term, not quite precisely translated after Le Carre's novel was published in Russian—today reflects rather precisely the true situation of Russian security organs. The structure that kept society fettered by cold fear and mutual suspicion, and then itself experienced harsh criticism bordering on revenge, is gradually thawing, acquiring a normal human face, and becoming capable of carrying out its real tasks. Russian citizens' natural interest in the topic of special services cannot be explained by vain, idle curiosity, or by the fact that the shroud of secrecy surrounding the activities of this kind of structure always arouses interest. And not only because reforms of our



security services are frequently accompanied by disturbing details. To a large extent this interest is a logical trait of an emerging civil society.

A society coming out from under the state's control and intending in turn to control the latter has a vital stake in getting the maximum possible information on state structures whose activities to some or other degree affect human rights. Especially our, Russian, society. However, for well-known reasons heightened public sensitivity to the topic of special services is manifested in morbid forms. The pulling down of the Dzerzhinskiy monument in front of the KGB building in Moscow, as well as the demand to liquidate "competent organs," became the symbol of the public mood in recent times.

Today we see this as somewhat romantic, but also somewhat naive. Russia is gradually regaining its historical memory. The picture of the past is emerging increasingly fully and in more detail. Of course, we do not want to return to state arbitrariness, but we also reject other things—sedition, anarchy, in other words, "grass-roots arbitrariness." The reasons for the latter are known—a weak, impotent state. The symptoms of this dangerous disease manifested themselves graphically last year, and seriously alarmed most citizens. The Russian special services felt this change in the public mood, too. By now it is possible to formulate on the whole the social order Russia's nascent civil society placed with them: to effectively ensure the security of the country and its citizens, and to protect Russia's national interests, one of the central among which is the protection of democracy.

Last year, at a conference of high-ranking personnel of the central staff department of the Russian Ministry of Security [MB], President B. Yeltsin said that it puzzles him that there are legally existing organizations in the country that openly and publicly propagate ideas of seizing power and ethnic and social strife, form and train armed commando brigades, and openly operate as a mafia and control individual regions, while the MB is either unaware of this or not showing the proper initiative. Each of these questions is topical today. They represent a threat to our national security. Russian special services currently have the legal base to combat them.

#### In Search of Balance

The Statute on the Federal Counterintelligence Service was recently published in the open press, and anybody may now read it.

The document directly defines the area of the service's responsibility. Among other things, it is tasked with identification, prevention, and suppression of intelligence and sabotage activities of foreign special services and organizations, as well as unlawful encroachment on the constitutional system, sovereignty, territorial integrity, and defense capability of the Russian Federation.

This general definition is elaborated on in the form of a detailed list of tasks set for Russian counterintelligence. Among them: combating smuggling, corruption, international arms trading and drug trafficking, illegal armed

formations, as well as illegally created or banned public associations encroaching on the constitutional system of the Russian Federation.

The Russian Federation president's message to the Federal Assembly outlined the priorities as we move toward a strong state capable of ensuring conditions for safe development of the individual and protecting him from criminal encroachment. Those who see the idea of a strong state as equivalent to state arbitrariness either are not being honest or simply are not aware of the vitally important needs of modern Russian society. For instance, the need to combat runaway organized crime aimed at seizing command positions in the state.

At the same time, boosting the FCS's effectiveness, as well as strengthening the state as a whole, today no longer may be based on the notorious "at any cost" principle.

While constantly lamenting the lack of a law-based state and neglect of legal norms, we clearly underestimate the processes of disintegration of totalitarian traditions in Russian society, which actually served as the main pillar of arbitrariness; moreover, they continuously reproduced the need for it.

During the memorable times of the Communist Party's political hegemony, the lack of detailed legislation regulating operational work was not considered a serious problem. State security officers were guided mainly by the orders of their superiors, and the latter—by the directives of party honchos (the consequences are well known). Currently the situation is already different. The very meaning of what is commonly called military discipline is changing. It no longer represents a lever one may use arbitrarily, outside of boundaries of the law.

Let us put it straight: The current legal base is far from perfect. What we have so far is only the foundations for regulating special services' activities. There are many unresolved issues.

In special services' practical activities, a collision frequently arises between political, operational expediency and prohibitions imposed by legal acts. Undoubtedly a contradiction between expediency and legality must be resolved in favor of the latter; however, neither should the latter be reduced to democratic slogans: It must ensure that we move along the road of long development of democratic society and remove the obstacles encountered along this road.

Russian legislation is oriented to a greater extent toward protection of citizens' rights than toward giving special services freedom of action. In principle, this is correct. However, shifting the center of gravity in the matter of ensuring the vitally important interests of the individual, society, and the state at the expense of the latter, without taking into account concrete realities in the life of our society, may in the final analysis jeopardize the security of the individual as well.

The priority for our lawmakers is to find the balance which would allow human rights to be guaranteed and at the same time ensure effectiveness of law enforcement organs'

activities. There are problems in this respect that require their immediate attention. I will give just one small illustration.

The law on operational-investigative activities permits listening to telephone conversations only with respect to a **specific** person, regarding whom there is information that he is at the stage of preparation of an especially grave crime or has already committed one. But what does one do if such an individual has not yet been identified?

The simplest example are foreign special service stations, which operate, as high-ranking officials of foreign services contend, under the cover of embassies in Moscow. Naturally, foreign intelligence officers do not register themselves as such; they must be identified, and, given their skills, accomplishing this through regular methods is a hopeless undertaking.

It is a vicious circle: In order to identify a specific individual, who intends to commit a violation of the law, an operational-technical measure is needed. But in order to obtain permission to conduct such, it is necessary to have valid information that the **specific** person has violated the law. There are also other examples of the impossibility of effectively conducting a counterintelligence investigation among criminals. You may ask: Then how did counterintelligence act in these circumstances? It varied, depending on the point of view of the procurator who issued the sanction.

Since the new constitution has gone into effect, operational-technical measures involving individual rights are conducted on the basis of a court decision. Questions arise, however: In obtaining such a decision, is it permissible to present materials obtained as evidence for court consideration, as is done in many countries? Within the framework of which procedure? These questions, which define the specificity of special services' work, remain unanswered.

On the other hand, neither are legal departments of security organs very active in helping lawmakers find a way to resolve these problems. Those abroad, on the other hand, actively seek ways to influence Russia's leadership in the direction of "fundamental reform of Russian special services." For instance, the Heritage Foundation on commission from the U.S. Congress has drafted a document with recommendations of how to bring activities of Russian special services into line with Western standards. The document proposes modification of normative acts covering counterintelligence activities, specifically, for it to stop monitoring foreign citizens' travel inside the country and cut down on the use of covert sources of information. It also recommends urging the Russian leadership to publish as soon as possible drafts of new laws regarding special services' activities and their financing.

We, too, want clear legal regulation and civilized methods of special services' operations, but of course on a parity basis. For instance, a kind of gentlemen's agreements are reached between special services of some countries on methods that preclude violence. As to a common espionage practice—recruitment and use of agents, use of technical means for penetration and information-gathering,

and so on—everything in this respect is the same as before. No agreements will remove the eternal problem of espionage.

In any case it is hard to imagine reaching such agreements with terrorist organizations, organized crime groups involved in illegal arms trading and drug trafficking, and illegal armed formations.

Thus, what our counterintelligence lacks is not a civilized demeanor, but rather **aggressiveness, initiative, and concentration** on the greatest threats to the state. The practice of years past, when, for instance, counterintelligence officers were sent to monitor compliance with trade regulations in stores and maintain order in the streets, and lately to inspect motor vehicles in search of contraband, should be completely eliminated. Special services are an expensive item for society, and therefore they must produce the maximum return. The task of counterintelligence is to select several targets that are commensurate with its great capabilities, and try to hit them.

Strictly speaking, some of the tasks included in the Statute on the Federal Counterintelligence Service are not really counterintelligence but rather belong in the sphere of domestic intelligence, and all of them are part of the sphere of state security.

One may argue to what extent the agency's name reflects the range of tasks it is charged with. Still, I think that this is not the main problem. The main issue is what place the FCS should take among special services in order to successfully carry out its functions.

The first thing one notices in reading the statute is a certain crossover of FCS authority and that of a number of other special services, as well as of law enforcement organs. There is a temptation to concentrate efforts, for instance, on suppression of corruption in one agency—for instance, the MVD [Ministry of Internal Affairs]. But then by the same criterion the tax police should be merged into this ministry, although this is not done anywhere in the world. The simplicity of such solutions is deceptive, since the sphere of law enforcement needs a certain margin of safety.

The danger of duplicating activities between special structures may be overcome by increasing the degree of their coordination and, so to say, dividing spheres of interest. There are examples of this both in our practice and foreign practice. For instance, thanks to existing agreements no particular conflicts arise between services engaged in intelligence gathering (the FIS, the GRU [Main Intelligence Directorate], the FCS, and others). A good example is the U.S. FBI, which over the past few years has concentrated its efforts—thus making it different from other law enforcement organs—on penetrating the top organizational echelons of the drug mafia.

In addition, while considering the advantages of concentrating all special forces along selected directions, we also cannot dismiss another point of view presented by a number of responsible politicians, who emphasize the lack of a sensible balance of forces among organs of internal affairs and security.

Thus, in an organizational sense and in the matter of interaction with other agencies the FCS occupies its own specific niche in the system of special services. What remains is the issue of coordination, but this is achievable on the basis of the existing system of working liaison between agencies participating in this work.

In keeping with the FCS Statute, counterintelligence organs are subordinated directly to the head of state—the guarantor of the Constitution of the Russian Federation, and hence its sovereignty, independence, and territorial integrity. Their independence from local authorities is quite justified by the specificity of the period our country is going through and gives it sufficient freedom of action for aggressive offense against corrupt groups and anticonstitutional manifestations.

Some corrections regarding counterintelligence could be made through the law on counterintelligence which is currently being drafted. In particular, it involves investigation of espionage cases. Counterintelligence needs a reliable, professionally trained investigative staff that specializes along these lines; this is a necessity, not a sign of the FCS's punitive functions. During the confirmation of the FCS Statute there were debates on this matter and, it is becoming clear, it has not been fully resolved. The idea of creating an investigative committee remains an idea, while skilled cadres capable of investigating complicated cases remain unutilized. Perhaps we should come back to this problem once again. Consider it, weigh all the pros and cons, and prepare proposals.

The organizational, legal, financial, and material-technical conditions being put in place for the FCS are only half of the matter. The main part is a trained corps of counterintelligence professionals, without whom it will not be possible to get the activities of this service going effectively, meeting the demands of modern Russian statehood. Certification of Russian counterintelligence cadres has been completed recently; it showed that the FCS has sufficient potential. Evidence of this, among other things, is the recent successes in disrupting the activities of German and British agents in Russia. Any counterintelligence operation requires a lengthy preparation stage; therefore, the latest of the publicly known successes of our counterintelligence are the result of the painstaking activities that preceded them.

Whether there are many such successes or not is another matter. The times when an NKVD [People's Commissariat for Internal Affairs] oblast administration received a quota for catching a certain number of Australian, Mexican, Thai, or other spies—which was always met and exceeded—are past. But if we compare the current effectiveness of counterintelligence work in Russia and, for instance, the United States, the achievements are roughly comparable. With respect to other lines of work, however, Russian counterintelligence still has a long way to go.

#### **"Feel the Difference"**

Almost none of those who support the creation of a law-based state argue, for instance, the need for a democratic state to have such a special service as foreign intelligence. No wonder. Intelligence organs as a rule do

not work against their own citizens—their activities are aimed outside, and this situation almost everywhere is codified in the law.

This means that when the interests of the state do not conflict sharply with the interests of its citizens, as is the case with intelligence, the problem of special services violating rights and freedoms does not look all that topical. The main heat of criticism is reserved for domestic intelligence used in combating terrorism, organized crime, etc., as well as counterintelligence. But while the former, which is frequently associated with political surveillance, is simply rejected as an instrument of a totalitarian state, counterintelligence seemingly is permitted to exist but under a constant fire of criticism from all sides: from the authorities—for being passive in uncovering and preventing internal threats against the state; and from the public—for attempts to expand its sphere of functions.

Against this background the public is offered time and again novel but rather lightweight reasoning on the ways to reorganize Russia's security organs. In it, the authors usually work mainly from two premises: the need to remove the threat to democracy presented by the heirs of "competent organs" and foreign experience of building a special service.

Let us leave aside at this point deliberate attempts to mislead the public. The reason the authors of reform schemes do not understand the substance of the issue, in my opinion, is that they apparently incorrectly formulate their goal. After all, if the goal is to remove a potential threat presented by special services, the easiest way to achieve it is to liquidate them. In other words, the best cure for a headache is the guillotine.

If, however, the task is to create a democratic state that possesses all means of maintaining its stability, the solution should be sought in the balance of strength and efficiency of special organs and the ability to keep them under control.

In this, it would be wrong to disregard extensive foreign experience—without, of course, succumbing to the other extreme of automatically copying other models without consideration for the important special features of Russian reality.

Since there is an opinion that MOSKOVSKIY KOMSO-MOLETS forecasts usually come true, let us take as an example information received by the newspaper from a "reliable" source about potential disbandment of the FCS and the transfer of its component administrations to various ministries and agencies. (Actually, this version was mentioned in other publications as well.)

The economic counterintelligence administration allegedly will go to the Ministry of the Economy. The counterintelligence operations administration will find its rightful place in the Ministry of Justice and will become something like a Russian FBI. Everything almost like in the United States. But that is the point—almost.

It would be appropriate to recall that many ministries which have similar or even identical names here and



abroad carry out different functions. For instance, the U.S. Department of the Interior deals with land development, management of natural resources, and is in charge of natural preserves. The American Department of Justice is more like the Russian general procuracy. It is responsible first and foremost for monitoring compliance with federal laws, represents federal organizations in civil litigation, and acts as a prosecutor when violations of the law are committed. By the way, the head of this organization is at the same time, using our terminology, the general procurator of the United States of America. "Feel the difference," as the famous commercial tells us.

Besides, the FBI, strictly speaking, is not so much counterintelligence, which is the task of only one of the bureau's many services, as it is a special combination of a special service and a law enforcement organ. Along with counterespionage, the FBI's tasks include: combating bank robberies, aircraft hijacking, bribery, and corruption; kidnapping investigations; and other functions. Thus, implementing the project "Let Us Do As They Do in the West" may lead to the situation described in a fairy tale, where the genie Khottabych made a precious-metal telephone apparatus. It looks like a real one, but you cannot make a call on it.

This is the kind of "counterintelligence apparatus" we may get under this version. In order to avoid this we would have to make dramatic modifications to the functions of the Ministry of Justice, special services, and law enforcement organs. But this is already reorganization on a much greater scale, which will demand an all-out reshaping of the structure of executive authority. When are we to work then? And how much will such a "reorganization"—performed for the sole purpose of bringing it more or less closer to the American original—cost the taxpayer? Continuing the polemics with such a proposal, it would make sense to ask one more, most important, question: Will such a structure work effectively in our conditions?

An example of a more or less successful reorganization of security organs along Western models is the separation of the Foreign Intelligence Service into an independent agency. The relatively low cost of this undertaking (and there is cost attached to everything) is the result first and foremost of the fact that its predecessor—the First Chief Directorate—had quite considerable autonomy even when it was part of the KGB. The Border Troops were split into a separate service without any particular complications for the same reason. However, such a straightforward "improvement" of counterintelligence is impermissible.

**First**, even within one counterintelligence service, coordination of activities against diverse foreign services aiming at different objects and persons in Russia already represents a rather complex problem, which even now is being handled with difficulty.

What will happen then if counterintelligence were broken up into independent agencies responsible for individual foreign services or objects or, even worse, both attributes at the same time? A complex and very expensive setup for

control and coordination of all domestic special services will be required—something like a **Ministry of Coordination**.

**Second**, in addition to actual operational units, counterintelligence has support units—such as technical support for operations—which in their current state simply cannot be divided. This means that additional money will be needed to create their own, "pocket" technical services, or the aforementioned units will have to be given the status of interagency bodies, with the resulting need for an additional bureaucratic structure.

The situation is the same with respect to reference records and information funds, dividing which and subsequently working with them presents an awesome problem.

**Third**, what do we do about local counterintelligence organs in republics, krais, and oblasts? Divide them by offices—"departments"?

In principle, we could experiment, using any model of building a system of national security organs—German, American, French, or some other. But this is a costly undertaking for our current situation, with the Ministry of Finance trying to save every ruble. It is even more impermissible in the atmosphere of political instability, where each imprudent move causes thunderous reverberations.

Reforming the special services is normal practice even in the life of states where democracy is an established practice and problems of distribution of authority have been resolved. But nowhere in the world will we find reorganization for the sake of reorganization.

New geopolitical realities and the emergence of new threats after the end of the "cold war"—all this requires from any state greater attention to special structures.

Reorientation of special services is quite natural. The organizational capabilities, technical equipment, and financial resources of criminal organizations in a number of instances are on par with those of the intelligence services of some countries. For instance, the income of South American drug cartels is comparable to the budget of the U.S. CIA. One can hardly hope to successfully uncover and disrupt extremely secret activities of criminal groups without using special methods and means.

One can hardly find a country these days where the tasks of special services, as well as organizational methods of carrying them out, are not being revised to some or other extent.

Our country is no exception in this respect. It has tried a great variety of forms—from the VChK [All-Russian Special Commission for Combating Counter-Revolution, Sabotage, and Speculation], OGPU [United State Political Directorate], NKVD, NKGB [People's Commissariat for State Security], MGB [Ministry of State Security], and KGB to MSB [motorized-rifle battalion], AFB [Agency for Federal Security], MBVD [Ministry of Security and Internal Affairs], MB [Ministry of Security], and finally FCS. There have also been attempts to merge the special services with neighbor organizations. For instance, an



Information Committee under the USSR MFA [Ministry of Foreign Affairs] was created and functioned, and even had its own intelligence school. One can only be amazed at the variety of forms. It seems that only the word "bureau" (if we leave aside the Komintern [Communist International] intelligence service) has not been used in the names of domestic security organs. It is a rare ministry or agency that can boast a history so replete with numerous transformations.

It is expected that we learn lessons from the past. One of them is that any reform, in addition to planned positive results, inevitably produces negative ones as well. First of all, with respect to cadres. A special service is not just buildings, equipment, and methods of operation—it is first and foremost **professionals**. If they leave, succession is broken; the ability to self-reproduce is lost, which is absolutely counterproductive for a self-contained organization, which special services always are.

One must also mention persons who assist security organs, including on a covert basis. Successful use of a covert agent network, without which special services' operations are impossible, is predicated first and foremost on public awareness of the tremendous role of these specific state structures, which they play in protecting the civil society.

Let us draw some conclusions. For instance, how delicate is the sphere of national security, which to a considerable extent is linked with the general problem of distribution of authority in a state. That society's expectations, its reserve of patience, have reached the limit, and we cannot make any more mistakes. That each reorganization is another trial for professionals, and that an organizational failure, which practically undermines the authority of counterintelligence, is the worst propaganda anyone could conceive.

Thus, we can hardly qualify as an informational or analytical breakthrough of some mass media the fact that they regularly spin out a version of another reorganization of the FCS.

Let us emphasize that standards for special services' work are set not on the basis of theoretical models and foreign analogies, but are based on the existing state system and the tasks the state is dealing with at any particular moment in history. How and with what resources counterintelligence organs will be handling the task of ensuring national security, and what changes are necessary in the FCS structure must be defined, among other things, also at the initiative and with the direct participation of the counterintelligence service itself.

On the whole, however, it may be said that the task of reorganization **has been solved** by the Russian Federation President's Edict No. 19 of 5 January 1994, which approved the Statute on the Federal Counterintelligence Service. These documents protect Russian special services from "cavalry attacks," from destructive temptations—wherever they may come from. It may be a paradox, but they complete the succession of continuous transformations of special services that has long acquired the attribute of ill-conceived perpetuity. The meaning of these decisions is to protect the structure necessary for society and

the state from emotional, incompetent, faddish changes; to create conditions not for future reorganizations but for normal work of the Federal Counterintelligence Service in the new situation.

### Access to Special Kitchen?

It is obvious that a strong state needs strong special services. For a country that wants to strengthen the state foundation, the might of the special services must be commensurate with the obstacles that will have to be overcome along this road. However, in order for special services themselves not to become such an obstacle, their activities must be subject to strict state and public oversight. The creation of such oversight is a problem for any state, since it inevitably conflicts with such an attribute of any special service as secrecy.

We know, for instance, of a recent incident involving Lady N., head of the British MI-5 counterintelligence service, whom the press "tracked down" after her name was made public. In their evaluation, it would present no difficulty for numerous terrorist groups in the country to organize a kidnapping of Great Britain's counterintelligence chief from her home. This scandalous incident is another argument in favor of those who insist on preserving the British tradition of complete secrecy when it comes to special services and their personnel.

British law sets very strict limitations on public access to the special services' "kitchen." For instance, it is considered a crime for any staff member (including former) to make public any information about his organization. Even committed by a regular civil servant, disclosure of information on special services may fall under a criminal statute. There is also liability for disclosing information concerning the activities of intelligence and counterintelligence organs if such a disclosure is made abroad. If we had such laws, perhaps this article could not be published.

Nevertheless, the British taxpayer is not deprived of the ability to find out through parliament what his money is spent on in the case of special services. Let us note, however, that Westminster is in no hurry to introduce broad parliamentary oversight of special services and relies on a very small circle of persons who have access to the shrine, first and foremost the prime minister, who is personally responsible for the organization of activities and oversight of special organs.

We should not blindly copy any democratic experience, but it makes sense to study it. Especially considering that we do not have our own **traditions in this sphere**. Therefore I would like to warn those who advocate comprehensive deputy oversight: A special service that is under open oversight is finished. In this respect, our lawmakers must accomplish extremely delicate work in creating and fine-tuning an appropriate oversight mechanism, and certainly do so in interaction with the judiciary and executive authorities.

Within the boundaries of his authority, the president of the Russian Federation not only organizes the activities of

main Russian special services, including the FCS, but also conducts oversight, and is responsible for them before society and the state.

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Special services per se are not a threat to democracy and society. The threat stems from the desire to subordinate their activities to any one political force or, worse, political or nationalistic clan or group. In order to keep this from happening in Russia, each branch of authority should provide in an appropriate form a legal base for the activities of intelligence and counterintelligence structures. However, these structures, too—and first and foremost the Federal Counterintelligence Service that “came in from the cold”—will have to make a tremendous effort as well.

#### **Former Inspector Alleges Nuclear Plant Dangers**

944K1103A Moscow LITERATURNAYA GAZETA  
in Russian No 15, 13 Apr 94 p 13

[Article by Vladimir Kuznetsov, former inspectorate chief of the Russian Federal Oversight of Nuclear and Radiation Safety Central District, with introduction by LITERATURNAYA GAZETA special correspondent Kirill Belyaninov, published under the heading “Russia May Turn Into a Chernobyl”: “Nuclear Power Industry Through the Eyes of An Unemployed Nuclear Oversight Inspector”]

[Text]

#### **A Peaceful Atom For Every Home: Alas, This We Have Already Achieved**

I am sick and tired of it all. Of endless competition in the speed of printing documents fabricated by one political group in order to destroy another; of careful calculation of the arc of fire at the headquarters of hostile political groupings and pocket-size parties; the national pastime of watching the state of the liver of the also nationally elected president and of bringing in astrologers to tell us the dates and details of future coups. In the endless flak of arguments about how to conduct another revolution, we have somehow forgotten that there are far more real problems.

We have forgotten that in the Far East “friends and business partners” from North and South Korea will soon leave nothing—not even stumps—in centuries-old taiga; that 150 companies from America and West Europe are flooding the country with toxic waste in exchange for Russian metal; and that, finally, because of our own negligence and indifference the threat of a new Chernobyl has become far more real than the threat of a coup.

I am sick and tired of it, because dozens of LITERATURNAYA GAZETA materials—and we wrote about it all: the “black market” in nuclear materials, the Western radioactive waste coming into our country, the catastrophic situation in the domestic nuclear power generation—did not elicit any response from our own government circles, which are busier attempting to reposition themselves in the shadow of the ruling chair.

I am sick and tired of it because the almost two-year-long struggle of Vladimir Kuznetsov, former Gosatomnadzor [Russian Federal Oversight of Nuclear and Radiation Safety] inspector, fired for his attempt to shut down 10 unsafe nuclear reactors, has not produced any results. Among the people he appealed to are the first persons in the Russian “ecological” establishment: presidential adviser A. Yablokov; Social-Ecological Union Chairman S. Zabelin... None of them supported Kuznetsov, while the truly horrible information he collected is still gathering dust in the safes of highest-level offices.

You need facts? There are many of them in the article V. Kuznetsov brought to the newspaper. Judge for yourself whether coup rumors are more important than something that affects our life.

#### **Russia May Turn Into a Chernobyl**

Last year I had an honor my “colleagues” in the line at the employment agency could only dream about. Can you imagine an unemployed American being invited as a consultant to the U.S. Senate, let alone the White House? Nevertheless, anything can happen in Russia, and an officially registered unemployed Russian may work for an equally official presidential adviser. There are numerous advantages to this method: If the finished report attracts the “highest attention,” there is no need to introduce the author, who has not gained any status in the nomenklatura; in the event of failure, however, one may resort to a tried and tested remark: “Well, you know, we have to use the services of questionable characters, but after all, we do not get any support from ministries and agencies....”

This in itself would not be too bad—one can swallow personal insult if the information you collected literally crumb by crumb did indeed bring about at least some result. But time goes on, and nothing changes. Presidential advisers shove the material you prepared to the back of the desk drawer; ecological organizations of the Social-Ecological Union and Physicians of the World for Prevention of Nuclear War type shrug their shoulders helplessly; and ministerial bureaucrats simply dismiss the facts and figures they are shown.

It is easy to understand the reason for such attitudes. All the reports and memoranda are devoted to the activities of only one, albeit very impressive agency—the Russian Minatom [Ministry of Atomic Energy], which has always held the status of “sacred cow” in domestic industry. Nevertheless, let us try to sort out what is hidden behind the polished sign of the omnipotent ministry.

Radioactive waste disposal is perhaps one of the items at the top of the list of Russian ecological problems.

Existing capacities simply are insufficient, and the size and safety of storage facilities are limited, while construction of new ones involves immense expenditures of technical and monetary resources. At the same time, existing plans for dismantling nuclear arms and nuclear power generation systems far from always comply with the ability to safely store the resulting radioactive waste. At the end of 1992 the total area of contaminated land amounted to 52,263

hectares. Of them, 16 were recultivated over the year. According to official data of the Ministry of the Ecology alone, Russian Minatom enterprises have accumulated radioactive waste with a total emission power of 1.7 billion curies, which are kept in 227 storage facilities, and of these, 81 have already been sealed.

If only the problem were limited to the number of storage facilities, though! At some enterprises the waste is kept in the open; most solid radioactive waste disposal sites do not meet elementary safety standards. And the system of handling solid radioactive waste in our country not only does not meet IAEA [International Atomic Energy Agency] standards but is contrary to the practice of developed countries.

The problems of enterprises whose names have been mentioned in the world press for many years—Mayak Production Association (Chelyabinsk-65) and Siberian Chemical Combine (Tomsk-7)—still have not been resolved.

In 1992 the maximum allowable discharge of strontium-90 at Mayak was exceeded by a factor of 1.8. The waste was dumped into the Techa river. At the same time, at the Siberian Chemical Combine norms of discharge of phosphorus-32 were exceeded by a factor of 1.14. The average annual concentration of this radionuclide in the Tom river was 2.9 times higher than the allowable level.

In 1993 serious accidents involving radiation occurred at both enterprises. Serious and very representative commissions visited the sites; tonnes of papers were written, but no particular conclusions were drawn from the events. Suffice it to mention that the already approved program of replacing equipment presenting nuclear danger at these enterprises is still not being implemented.

This, however, is just a concrete case involving only two nuclear facilities. Of much greater interest is something else: In February of this year the Russian Gosatomnadzor, known in the past for the extreme caution of its statements, suddenly subjected the state of the Russian nuclear complex to sharp criticism. Inspection of practically all domestic nuclear installations showed that "the state of nuclear and radiation safety in the Russian Federation as a whole cannot be called satisfactory. Numerous problems associated with the use of nuclear energy are being resolved extremely slowly and are not regulated by law..."

After such a serious statement, however, which for the first time indicated a split between Minatom and Gosatomnadzor, information came out which at first glance completely refuted the Federal Oversight's conclusions. The Rosenergoatom concern's vice president, B. Antonov, representing the main user organization, said that on the contrary, the safety of Russian AES's [nuclear power stations] has increased: There were 45 fewer incidents at stations in 1993 than in 1992.

For a specialist this is a strange argument, to say the least. The decline in the number of incidents is not at all an indicator of AES safety. Last year a considerable number

of AES's were operating at reduced capacity. This happened because of the considerably greater length of the repair season at power generators of all stations: electric power consumers simply did not pay their bills on time, and the AES's did not have the money to buy materials and component parts in the needed quantities.

In addition, controller-imposed restrictions on capacities (up to 23.9 percent, plus the restrictions introduced by the Federal Oversight—26.1 percent of the rated level) together produce a figure equal to a 50 percent loss in power generation output. The figures above confirm not only the thesis of Rosenergoatom's imperfect—to put it mildly—calculations and the resulting conclusion regarding the increased safety of the AES's, but also bring up a no less important question: Can it be that electric power produced by AES's at the old level of output is not needed by the Russian economy, which constantly complains about energy shortages? And what has caused these restrictions if, in the opinion of Minatom bureaucrats, everything is going so well in their industry?

Somehow, the No. 2 and No. 3 generators at the Balakovo station and the No. 5 Generator at the Novovoronezh station, which had been under long-term repair, as well as Balakovo's No. 4 generator, which was recently brought on line, have disappeared from the list of AES's to be inspected. According to the results of last year, it was these stations' power generators, as well as those at the Kola AES, that were found to be the worst in terms of reliability and stability of operation.

In June 1993 a "medium-gravity incident" was registered at the No. 2 generator at the Balakovo AES—jamming of 11 regulation devices in the control and protection system; at the Novovoronezh AES No. 5 generator in February last year there was an incident classified as "insignificant:" the water-chemical condition was off balance. At the Kola AES the incident was far more serious: As a result of a hurricane, high-voltage lines in the Kolenergo system were damaged, which resulted in the shutdown of all four of the stations' power generators.

As to work on increasing AES safety, this is not even on the agenda at this point. Actions in replacing technical channels at RBMK [high-power pressurized tube reactor] power generators and steam generators at power generators with VVER [water-moderated power reactor] reactors do not increase safety as compared to the design level—they only remove design faults discovered in the process of exploitation. Technical substantiation of safety factors at most power generators is still at the stage of development; there is no systematic substantiation of planned measures with respect to power generators' technical retrofitting and modernization. As to exploitation of all nuclear reactors and systems without exception, it is still being conducted in accordance with safety norms developed at the time they were built—that is, 15-20 years ago—and today does not even come close to modern standards. As to Minatom's contention that an IAEA commission that visited



most AES's appraised their safety condition as satisfactory, this is no guarantee. The conclusions of various IAEA commissions are of a purely advisory nature and are not mandatory for compliance.

Nothing has changed since then, and our power generation industry is still ruled by the kilowatt-hour, not by safety.

Speaking of research nuclear installations, the situation with respect to them is even more difficult than that with nuclear reactors. The reason is not only the extreme obsolescence and physical wear and tear of the equipment and technological systems, but also the absence of practically any norms and safety systems. There is no normative-technical documentation; there is no statewide program of utilization of research systems, which would allow a definition of the necessary volume of work on these systems; there is no system for localizing accidents, and no simulator facility for personnel training.

The situation with respect to spent nuclear fuel at scientific research centers that use nuclear reactors is critical. In the NII [scientific research institute] of Atomic Reactors in Ulyanovsk Oblast, in the Physics and Energy Institute in Kaluga Oblast, and in the Kurchatov Institute in Moscow, facilities for storage of spent nuclear fuel are filled to 80-90 percent of capacity, while the technology for reprocessing it simply does not exist.

The practice of liquid radioactive waste disposal in the NII of Atomic Reactors simply does not have any analogues. Medium- and low-activity waste in Ulyanovsk Oblast is simply pumped underground into so-called "absorbing collector beds." As a result, more than 2 million cubic meters of waste with a total activity of 100,000 curies have already accumulated in underground storage. By law, however, waste disposal can be done only after it is "converted into solid explosion-, fire- and nuclear-proof form." In other words, waste must be converted into a form that ensures its reliable isolation in a geological medium.

Fifty years of operations of the Russian scientific center Kurchatov Institute produced an extremely difficult problem associated with rehabilitation of land set aside for temporary storage, and taking off line obsolete research systems. At the territory of the institute, which is located in the heart of the city of 9 million inhabitants, temporary storage—which, by the way, has remained "temporary" since the time it was built in the 1940's—occupies an area of two hectares. It is estimated that it contains more than 200 tonnes of highly radioactive waste.

Normative documents, which have been at the development stage since 1989—nuclear safety rules for research reactors and many others—will not come out any time soon. The explanation is simple: The Kurchatov Institute is the leading scientific organization with respect to almost all Russian research reactors, and it is apparently not in its interests to introduce stricter safety regulations. This will require considerable financial investment and bringing the system to the required level or shutting it down.

The shortcoming and problems I have enumerated involve the activities of only one agency—the Russian Ministry of Atomic Energy, as well as of the structures it has set up. But even in the new political environment the methods Minatom utilizes for solving its problems remain the same old ones. As in the past, the atomic industry is trying to "twist the government's arm." Otherwise how can one explain the clamor recently raised by this agency in the press? (A good dozen newspapers published the outcry that nuclear stations are running out of fuel during the peak period of fall-winter demand, and soon nearly half of Russia will be without heat and light unless a number of decisive steps are immediately taken.) But the answer to this question is not that complicated: Having bungled things up once again, Minister V. Mikhaylov is trying to cover it up by grabbing a juicier chunk of state subsidies. It is no secret to anyone that both enterprises producing nuclear fuel and nuclear power stations are under the roof of one and the same agency, and therefore what we have is obviously an elementary miscalculation. Neither does Minatom's panicky tone fit with the recently signed agreement to sell nuclear fuel to the United States. If we cannot provide for ourselves, how can we talk about selling it to other countries?

Nothing will change unless in the nearest future a package of legislative acts is adopted on the use of nuclear power generation, and a state safety program is drafted and backed up by priority financing.

Without this first step, nothing will change. And who knows, perhaps in just another 10 years Russia will turn into a huge Chernobyl zone.

#### **Government Financial Support for Nuclear Power Plant Promised**

*944E0704A Moscow RABOCHAYA TRIBUNA  
in Russian 13 Apr 94 p 1*

[Article by Vladimir Lagovskiy: "The Close Circle of the Unified Energy System"]

[Text] Soon enterprises that have "forgotten" to pay for electricity could possibly be reminded of their debts by having their electricity cut off. At least such a harsh suggestion was heard at the regular conference of the first deputy chairman of the Government of Russia, Oleg Soskovets. The measure is highly favored by economic managers since it sometimes enables them to solve operational problems. At this one they were considering various ways of stabilizing the financial situation of nuclear power plants and enterprises of the nuclear fuel cycle.

The situation is such that nuclear power plants may be transformed quickly and easily from energy producers to energy consumers. Many of the plants are threatening to shut down.

Representatives of nuclear power plants state that they have no money for fuel because the Russian Joint-Stock Company Unified Energy System Rossiya owes them 450 billion rubles [R]. The latter, in turn, does not consider itself to blame—the direct consumers of energy owe it even more.



The government has promised credit in the amount of R50 billion to settle the accounts of the nuclear power plants. But that will apparently not solve the basic problem. The money will be spent on plugging up holes, and after a month or two the situation will return to its original impasse. Therefore, in the opinion of the majority of those present, it is necessary to change the system: to create a market for electric energy. It must be sold and not "released."

The conference earmarked a number of immediate measures which could possibly help to emerge from the crisis. Among them are deferring payments on taxes to the republic budget and granting nuclear power plants the right to conclude direct agreements for the delivery of electric energy to regional consumers.

There was an amusing side to this. A representative of one of the nuclear power plants who was among those picketing the White House was interested to hear a proposal from the Ministry of Nuclear Energy to find additional funds by reducing the wages of the workers at the plants. He said something to the effect that for the sake of the country's safety he could take such a measure if he received his "gigantic" wage of 200,000 every month. But for now he cannot, since the last time he was paid was in February.

#### Problems of ZIL Plant Detailed

944E0704B Moscow *RABOCHAYA TRIBUNA*  
in Russian 13 Apr 94 p 2

[Article by Andrey Novikov: "ZIL Did Not Get Far on the Wheels of Privatization"]

[Text] *The beginning of this year was marked by a severe crisis in Russian machine-building. Productions at GAZ [Gorkiy Automotive Plant], Rosselmash, and AZLK [Automotive Plant imeni Leninskiy Komsomol] were shut down or switched to a partial work week. Yesterday there was a conference of the labor collective at the enterprise, in which FITUR [Federation of Independent Trade Unions of Russia] Chairman M. Shakov participated. ZIL general director Ye. Brakov briefed the worker association on the situation at the plant.*

In his words, ZIL operated relatively stably during 1992-1993. During this time it produced 373 billion rubles' [R] worth of products. And the net profit remaining with the enterprise amounted to R38 billion. But today the plant has encountered the problem of selling its products. Mainly because of the inability to pay on the part of the traditional motor vehicle consumers—the army, agriculture, industrial enterprises.

Moreover, the enterprise, like, incidentally, all law-abiding domestic taxpayers, is gasping under the pressure of taxes.

In spite of the fact that ZIL is maintaining all of its facilities of the social sphere at its own expense, the enterprise has to make considerable deductions into the state budget and nonbudget funds for social development.

As a result, ZIL first switched to a four-day work week and soon after that production had to be halted. In Ye. Brakov's words, for this year the enterprise concluded agreements for the delivery of 159,000 motor vehicles. But according to the estimates of experts, it will manage to sell only 55,000. Because of the sharp drop in demand and the reduction of production, the number of workers at the enterprise decreased this year from 92,000 to 84,000. Wages average only R90,000. Apparently the deterioration of the situation at ZIL threatens to be catastrophic.

In the opinion of the leaders of the enterprise, the state, which owns 20 percent of the ZIL shares, should help the plant. ZIL specialists have calculated that R30 billion would save the plant today. And ZIL would be able to repay this credit and settle some of its debts, which have already reached R115 billion. Moreover, it would seem that the state should settle first of all with those who purchase products from ZIL. Obviously, the plant would not then start holding out its hand for regular aid.

#### Lukoil To Freeze Petroleum Prices for 1994 Second Quarter

944E0704C Moscow *RABOCHAYA TRIBUNA*  
in Russian 13 Apr 94 p 2

["Own Information" report "The Great Lukoil Initiative"]

[Text] *The largest company in Russia is freezing prices of petroleum and petroleum products.*

**This sensational announcement was made on Monday at a news conference of the Lukoil Petroleum company by its vice president, Leonid Fedun: The company's leaders have decided to freeze prices of the petroleum and petroleum products it produces during the second quarter of 1994 at the level of prices of the first quarter.**

"This is a purely economic step," emphasized L. Fedun. "As calculations show, Russia's current overproduction of petroleum and petroleum products amounts to 25-30 percent of the overall volume. At the same time the potential capacity of the petroleum complex exceeds the overall demand of the country's enterprises 1.5- to twofold. Taking into account the constant reduction of the effective demand, the real demand for petroleum and petroleum products amounts to about 60 percent of production and has a tendency toward further decline.

Under these conditions raising the price of oil is economically inexpedient. The only effective means of preventing a fatal development of events is for the country's largest producers to maintain the existing price level for their products.

## POLITICAL AFFAIRS

### Law on State Secrets

#### Text of Law

944K0875A Kiev HOLOS UKRAYINY in Ukrainian  
10 Mar 94 pp 6-8

[Text of law under the rubric "The Laws of the Independent State": "Law of Ukraine 'State Secrets'"]

[Text] Proceeding from the information sovereignty of Ukraine and generally recognized principles of international procedure in the sphere of information, this Law governs the social relations connected with the designation of information as state secrets, its classification and its safeguarding with the aim of protecting the vitally important interests of Ukraine in the sphere of defense, economics, foreign relations, state security and the safeguarding of law and order.

#### Part I

#### General Provisions

##### Article 1. State secrets and degree of secrecy

State secrets are a type of secret information that encompasses information in the spheres of defense, economics, foreign relations, state security and the safeguarding of law and order, the divulging of which could cause harm to the vitally important interests of Ukraine, which is designated a state secret under the procedure stipulated by this Law, and is subject to safeguarding on the part of the state.

The degree of secrecy is a category that describes the importance of that information, the possible damage as a consequence of divulging it, the degree of restriction of access to it and the level of its safeguarding by the state. The criteria for the designation of the degree of secrecy of information are established by the State Committee of Ukraine on Issues of State Secrets.

##### Article 2. The legislation of Ukraine on state secrets

The legislation of Ukraine on state secrets is based on the Law of Ukraine "Information," and is composed of this Law and other acts of legislation of Ukraine adopted in accordance with it.

The force of the legislation of Ukraine on state secrets does not extend to relations associated with the safeguarding of commercial or banking secrets or other confidential or secret information, if the latter is not simultaneously also a state secret.

##### Article 3. State policy with regard to state secrets

State policy with regard to state secrets, as a constituent element of overall national information policy and the policy for ensuring the security of Ukraine against internal and external threats, is formulated by the Supreme Soviet of Ukraine.

The President of Ukraine, the Cabinet of Ministers of Ukraine, the Council of Ministers of the Republic of Crimea and other bodies of state executive authority, as

well as bodies of local and regional self-government, provide for the realization of that policy within the limits of their jurisdiction as envisaged by law.

The State Committee of Ukraine on Issues of State Secrets is the specially authorized central body of state executive authority in the sphere of safeguarding state secrets. The Statute of the State Committee of Ukraine on Issues of State Secrets is approved by the Cabinet of Ministers of Ukraine. Certain functions in this sphere, including those pertaining to the technical protection of the information, operative measures in safeguarding state secrets, courier communications, and the safeguarding of state secrets in the mass media, are performed by the appropriate state bodies within the limits of their jurisdiction as envisaged by law.

**Article 4.** Exercise of the right of ownership of information that is treated as state secrets and its bearers

The owner of information that is designated as a state secret or the physical medium for it exercises his right of ownership with regard for the restrictions established in accordance with this Law.

The procedure and conditions for the safeguarding of state secrets, including the establishment of a special regimen for the use and disposal of information that is designated a state secret and its media, are designated in accordance with this Law by agreement between the owner of the information or its media and the State Committee of Ukraine on Issues of State Secrets.

If the restrictions on the right of ownership of information that is regarded as a state secret and its media as designated in an agreement cause harm to their owner, then that harm is compensated to the owner in full, including income not received because of the state.

If the owner of information that is designated as a state secret or its media refuse to reach an agreement on the safeguarding of state secrets or violate it, that information or its media may be taken under the ownership of the state by decision of a court. The procedure and amounts of compensation for such a taking are defined by the Cabinet of Ministers of Ukraine.

##### Article 5. Financing of measures to designate information as state secrets and its classification and safeguarding

The measures to designate information as state secrets and its classification and safeguarding are financed through the state budget, the budgets of bodies of local and regional self-government, and the funds of enterprises, institutions and organizations that carry out activities connected with state secrets.

Measures with regard to the designation of information as state secrets, its classification and safeguarding at enterprises with non-state forms of ownership are financed on the basis of an agreement with the customer enterprise for the performance of the operations associated with state secrets.

Tax and other concessions may be granted to enterprises, institutions and organizations that perform activities associated with state secrets under the procedure stipulated by law.

## Part II

### Designation of Information as State Secrets

#### Article 6. Information that may be designated state secrets

Information that may be designated state secrets under the procedure stipulated by this Law is:

##### 1) in the sphere are defense:

- on the content of strategic and operational plans and other documents of combat command and control, the preparation and conduct of military operations, and the strategic and mobilization deployment of the troops, as well as on other highly important indicators that describe the organization, size, stationing, combat and other military training, weaponry and logistical support for the Armed Forces of Ukraine, the Border Troops of Ukraine, the National Guard of Ukraine and other military formations of Ukraine;
- on the directions of development of certain types of weaponry and military hardware, their quantity, tactical performance characteristics, organization and technology of production, scientific research and experimental design associated with the development of new models of weapons and military hardware, as well as other work that is planned or being carried out in the interests of the country's defense;
- on the forces and assets of the Civil Defense of Ukraine, the capabilities of populated areas, regions and certain facilities for defense, evacuation and dispersal of the population, the assurance of the vital activity and production activity of facilities in the national economy in wartime or under conditions of other emergency situations;
- on geodesic, gravimetric, cartographic, hydrographic and hydrometeorological data and descriptions that have significance for the country's defense;

##### 2) in the realm of economics:

- on the mobilization plans and mobilization capacity of the national economy, the reserves and amounts of supply of strategic types of raw and other materials, as well as on the locations and amounts of state mobilization material reserves;
- on the utilization of transport, communications and other industries and facilities of the country's infrastructure in the interests of ensuring its security;
- on the content, amount, financing and fulfillment of state defense orders;
- on the plans, amounts and other highly important characteristics of the extraction, production and sale of certain strategic types of raw materials and products;

—on state reserves of precious metals in the monetary group, precious stones, currency and other valuables, operations connected with the manufacture of paper money and other securities and their storage, safeguarding and protection against counterfeiting, circulation, exchange or removal from circulation, as well as on other special measures of the financial activity of the state;

##### 3) in the sphere of foreign relations:

- on directives, plans, instructions to delegations and officials on questions of the foreign policy and foreign economic activity of Ukraine;
- on military, scientific and technical and other collaboration of Ukraine with foreign states, if the divulging of the information on it could harm the interests of Ukraine;
- on exports and imports of weaponry, military hardware and certain types of strategic raw materials and products;

##### 4) in the sphere of state security and the safeguarding of law and order:

- on the substance, plans, organization, financing, logistical support, means, forms, methods and results of intelligence, counterintelligence or operational-investigative activity;
- on individuals who are collaborating or had earlier collaborated on a confidential basis with bodies that are carrying out that activity;
- on the organization and procedure for the implementation of security for higher bodies of legislative and executive authority, state banking institutions and higher officials of the state;
- on the system of governmental and special communications;
- on the development and use of codes, work with them and the pursuit of scientific research in the realm of cryptography;
- on other measures, forms and methods of the safeguarding of state secrets.

Specific information can be designated as state secrets only provided that it falls under the categories designated in the first part of this article, and its divulging would harm the vitally important interests of Ukraine.

The designation as a state secret of any information is prohibited if it would violate the constitutional rights of the person and citizen or cause harm to the health and safety of the public.

Information may not be designated as a state secret:

- on natural disasters, catastrophes and other extraordinary events that threaten the safety of citizens, that have occurred or could occur;
- on the state of the environment or the health of the public, its standard of living, including food, dress,

housing, medical care and social security, as well as socio-demographic indicators, the state of law and order, and the education and culture of the public;

- on the unlawful actions of state bodies, bodies of local and regional self-government and officials;

**Article 7.** Procedure for the designation of information as state secrets

The designation of information as state secrets is accomplished by a justified decision of the State Committee of Ukraine on Issues of State Secrets.

A decision of the State Committee of Ukraine on Issues of State Secrets may be altered or revoked by the President of Ukraine.

Information is considered a state secret when it is included in the Register of Information that is a state secret.

**Article 8.** State experts on issues of secrets

State experts on issues of secrets are the President of Ukraine, the Chairman of the Supreme Soviet of Ukraine and the Prime Minister of Ukraine by virtue of their positions, and other officials to whom are entrusted those functions in the corresponding sections of state activity by the President of Ukraine.

A state expert on issues of secrets bears individual liability for the legality and well-foundedness of his decision to designate information as a state secret.

The Statute on the State Expert on Issues of State Secrets is approved by the President of Ukraine.

**Article 9.** The decisions of a state expert on issues of secrets

The decisions of a state expert on issues of security indicate:

- the information that is to be considered a state secret, and its conformity to the requirements envisaged by Article 6 of this Law;
- the grounds for designating the information as a state secret and the substantiation of the damage to the vitally important interests of Ukraine in case it should be divulged;
- the degree of secrecy of the indicated information;
- the time period for which the information is classified;
- the amount of necessary financing for measures to safeguard it;
- the state body (or bodies) that submitted the proposal for the designation of the information as a state secret, and the state body (or bodies) to which is granted the right to make a decision concerning the circle of subjects that will have access to that information;
- the effective term of the decision to designate the information as a state secret.

**Article 10.** The Register of Information that Constitutes State Secrets

The Register of Information that Constitutes State Secrets is formulated and published in the official state publications of the State Committee of Ukraine on Issues of State Secrets on the basis of the decisions by state experts on issues of secrets.

Changes and additions to the Register of Information that Constitutes State Secrets are published not later than three months from the day of receipt by the State Committee of Ukraine on Issues of State Secrets of the corresponding decision of a state expert on issues of secrets.

The procedure and mechanism for the formulation of the Register of Information that Constitutes State Secrets and its promulgation are defined by the Cabinet of Ministers of Ukraine.

The bodies of state authority of Ukraine, on the basis of and within the limits of the Register of Information that Constitutes State Secrets and with the aim of making the data on the information more concrete and systematic, may create the appropriate extended lists of information that constitute state secrets. These lists shall be approved by a state expert of Ukraine on issues of secrets and coordinated with the State Committee of Ukraine on Issues of State Secrets.

The extended lists of information that constitute state secrets may not be in contradiction with the Register of Information that Constitutes State Secrets.

In a case of the inclusion in the Register of Information that Constitutes State Secrets or the extended lists of that information of information that does not conform to the requirements of Article 6 of this Law or violated the stipulated procedure for the designation of information as a state secret, concerned individuals have the right to appeal the decision to the President of Ukraine or directly to the Supreme Soviet of Ukraine.

**Article 11.** Effective term of decisions to designate information as a state secret

The time period for which a decision to designate information as a state secret is effective is stipulated by a state expert on issues of secrets with a regard for the degree of secrecy of the information and other circumstances, and may not exceed 30 years.

After the conclusion of the designated time period, it may be extended by decision of the State Committee of Ukraine on Issues of State Secrets.

**Article 12.** Reduction in the degree of secrecy of information and revocation of a decision to designate it as a state secret

A reduction in the degree of secrecy of information or the revocation of a decision to designate it as a state secret is accomplished on the basis of the findings of a state expert on issues of secrecy, or without such findings in connection with the completion of the effective term of the decision to designate the information as a state secret or on the basis of a court decision in the cases envisaged by Article 10 of this Law, and is formulated by the State Committee of



Ukraine on Issues of State Secrets by means of the corresponding changes in the Register of Information that Constitutes State Secrets.

### Part III

#### The Classification of Information

**Article 13.** The classification of information that has been designated state secrets

The classification of information that has been designated state secrets is accomplished by means of affixing a secrecy seal to the corresponding document, item or other physical medium of the information.

The secrecy seal is a mandatory requisite of each physical medium of information that has been designated a state secret. It must contain information on the degree of secrecy of the information ("particular importance," "top secret" or "secret"), the time period of the classification and the official who affixed the indicated seal.

If a secrecy seal cannot be affixed directly to the medium of the information, it may be affixed to the accompanying documents.

The affixing of the secrecy seals stipulated by this Law to the media of other secret or confidential information that is not a state secret is prohibited.

The list of officials who have the right to affix a secrecy seal to information media is approved by the head of the enterprise, institution or organization that performs the activity connected with state secrets.

After the conclusion of the stipulated time periods for the classification of the information or in a case of the reduction of the degree of secrecy of the information by a court decision or the revocation of a decision to designate it a state secret, officials who perform the classification of information are obligated to provide for the changing of the secrecy seal or the declassification of the information.

**Article 14.** Term of classification of information

The term of classification of information depends on the degree of its secrecy, and is established by decision of a state expert on issues of secrecy in accordance with Article 9 of this Law. It may not exceed 30 years for information of "particular importance," 10 years for information that is "top secret" and five years for information that is "secret."

The term of classification begins at the moment the secrecy seal is affixed to the corresponding information medium.

The President of Ukraine, Chairman of the Supreme Soviet of Ukraine or the Prime Minister of Ukraine may extend the term of classification of information, either on their own initiative or on the basis of a decision by other state experts on issues of secrecy.

**Article 15.** Appeal of the unwarranted classification of information

Citizens and legal persons have the right to submit to officials who have affixed a secrecy seal to information

media a well-founded proposal for the declassification of information, which is mandatory for consideration. The indicated officials shall provide a written response to the citizen or legal person on this score within a month.

A decision to declassify information may be appealed to an official of a higher level to whom the official who affixed the secrecy seal to the corresponding information bearer is subordinate. In the event of a failure to satisfy the complaint, the citizen or legal person has the right to appeal the unlawful actions of officials to a court.

### Part IV

#### The Safeguarding of State Secrets

**Article 16.** The substance of safeguarding state secrets

The safeguarding of state secrets includes the whole set of organizational-legal, engineering-technical, cryptographic and operational measures aimed at preventing the divulging of information that constitutes a state secret.

The implementation of those measures is provided for in accordance with their authority by the state bodies stipulated in Article 3 of this Law.

**Article 17.** Principal organizational-legal measures for safeguarding state secrets

Established for the purpose of safeguarding state secrets are:

- uniform requirements with regard to the manufacture, utilization, safekeeping, transmission, transport and accounting for media of information that constitute state secrets;
- licensing of enterprises, institutions and organizations that perform activity connected with state secrets;
- a special activity regimen (secrecy regimen) for the aforementioned enterprises, institutions and organizations;
- a special procedure for the access of citizens to state secrets;
- restrictions with regard to the promulgation, transfer to another state or dissemination by other means of information that constitutes state secrets;
- restrictions with regard to the presence and activity in Ukraine of foreign citizens and foreign legal persons, as well as the disposition and the movements of objects and technical means belonging to them;
- responsibility for violations of legislation on state secrets.

**Article 18.** Uniform requirements for the media of information that constitutes state secrets and their safekeeping

Uniform requirements with regard to the manufacture, utilization, assurance of good physical condition, transporting and accounting for the media of information that constitutes state secrets, as well as their safekeeping, are established by the State Committee of Ukraine on Issues of State Secrets.

**Article 19.** Licensing of enterprises, institutions and organizations that perform activity connected with state secrets

The granting of the right to perform activity connected with state secrets to enterprises, institutions and organizations is accomplished by means of the drawing up of the corresponding permission (license) by the State Committee of Ukraine on Issues of State Secrets.

The procedure and terms for granting the indicated permission (license) are defined by the Cabinet of Ministers of Ukraine.

The enterprises, institutions and organizations to which the permission (license) indicated in this article is granted gain the right of access to specific information that constitutes state secrets in accordance with the directive of state bodies authorized to do so by a finding of a state expert on issues of state secrets. The transfer of information that constitutes state secrets or their media to other enterprises, institutions and organizations that have the corresponding permission (secrecy regimen) of the State Committee of Ukraine on Issues of State Secrets is accomplished in coordination with those bodies.

**Article 20.** Special regimen for the activity of enterprises, institutions and organizations

A special regimen for the activity of enterprises, institutions and organizations connected with state secrets (secrecy regimen) is instituted under the procedure established by the Cabinet of Ministers of Ukraine.

**Article 21.** Access of citizens to state secrets

Access to state secrets is granted to competent citizens of Ukraine at least 18 years of age who require it under the terms of their official or scientific-research activity and who have completed the corresponding clearance under the procedure stipulated by this Law.

The decision to grant access to specific information that constitutes state secrets is made by the heads of the state bodies, enterprises, institutions and organizations at which the work is conducted or the information media connected with that information are stored.

A refusal to grant citizens of Ukraine access to specific information is possible only in the absence of the grounds stipulated in the first part of this article, and may be appealed to an official at a higher level to whom the official who refused the citizen access to specific information that constitutes state secrets is subordinate. The citizen, in the event the complaint is not satisfied, has the right to appeal the unlawful actions of officials to a court.

Foreign citizens and individuals without citizenship are granted access to state secrets in exceptional cases on the basis of international agreements or the written directive of the President of Ukraine.

**Article 22.** Clearance of citizens for state secrets

Clearance for state secrets is granted on the basis of the order of the head of the enterprise, institution or organization where the citizen is working, completing service or being educated.

If the need of a citizen for information that constitutes state secrets is not connected with the place of work or education, clearance may be granted at the place where the activity connected with the state secrets is being performed.

The granting of clearance envisages:

- determination of the necessity of the individual for the information that constitutes state secrets;
- checking out of the individual in connection with clearance to state secrets;
- assumption by the citizen of the obligations with regard to the safekeeping of the state secrets that will be entrusted to him;
- the receipt in written form of the citizen's agreement to the restrictions on rights as stipulated by legislation with regard to clearance to state secrets;
- familiarization of the citizen with the standards of responsibility for violations of legislation on state secrets.

The forms of clearance to the information necessary to the citizen ("particular importance," "top secret," "secret") are established independently of the extent of their secrecy.

Decisions on the clearance of a citizen to state secrets are made no later than five days after the completion of the check-out of the individual in connection with clearance to state secrets.

**Article 23.** Refusal to grant clearance to state secrets

Clearance to state secrets is not granted in a case:

- 1) the citizen's lack of a well-founded necessity for working with information that constitutes state secrets;
- 2) the ascertaining, in the course of checking the individual in connection with access to state secrets, of instances of his promoting the unlawful activity of the bodies of foreign nations and foreign organizations, or participation of the individual in associations of citizens whose activity is not subject to legalization or is prohibited under judicial procedure, or his failure to fulfill obligations with regard to the safekeeping of state secrets that were earlier entrusted to him;
- 3) the citizen's refusal to assume the obligations with regard to the safekeeping of state secrets that will be entrusted to him, or the absence of his consent to the restrictions on rights stipulated by law in connection with clearance to state secrets;
- 4) a citizen's conviction for serious crimes that has not been expunged or removed under established procedure;
- 5) the presence of mental illness in the individual that could cause harm to the safeguarding of state secrets, according to the list approved by the Ministry of Health of Ukraine and the State Committee of Ukraine on Issues of State Secrets.

The granting of clearance to state secrets may also be denied in a case of:

- 1) the special ties of a citizen with individuals who are involved in the unlawful activity of foreign nations and foreign organizations, if the citizen has not curtailed those ties after an official written warning by bodies of the Security Service of Ukraine;
- 2) the citizen's submission during the completion of clearance of untrustworthy information about himself;
- 3) permanent residence of the citizen abroad or his completion of documents for departure for permanent residence abroad.

**Article 24.** Checks of individuals in connection with their clearance to state secrets

The checking of individuals in connection with their clearance to state secrets is performed by bodies of the Security Service of Ukraine within a month's time, under the procedure established by this Law and the Law of Ukraine "Operational-Investigative Activity."

The presence or absence of the circumstances envisaged in points 2 and 4 of the first part and the second part of Article 23 of this Law is ascertained in the course of the checking.

A well-founded finding by the body that performed the check is binding for officials authorized to make decisions on granting clearance to state secrets.

**Article 25.** Appeal by a citizen of a refusal to grant clearance to state secrets

Officials authorized to make decisions regarding the granting of clearance to state secrets are obligated to inform citizens in written form of the reasons and grounds for a refusal to grant clearance.

A citizen has the right to appeal that refusal to an official of a higher level to whom the official that refused the citizen clearance to state secrets is subordinate. The citizen, in case where the complaint is not satisfied, has the right to appeal the unlawful actions of officials to a court.

**Article 26.** Revoking clearance to state secrets

The revocation of clearance to state secrets granted earlier is possible in a case of the appearance or ascertaining of the circumstances envisaged by Article 23 of this Law, as well as if the citizen has curtailed the professional activity in connection with which the clearance was given.

Clearance of a citizen for state secrets at his request is revoked within three days from the time of appeal for the revocation of clearance.

A decision to revoke clearance is made by officials who are authorized to make the decision to grant it. This decision may be appealed under the procedure stipulated by Article 25 of this Law.

**Article 27.** Obligations of the citizen with regard to the safekeeping of state secrets

A citizen to whom is granted clearance to state secrets is obligated:

- not to permit the divulging by any means of the state secrets that have been entrusted to him or that have become known to him in connection with the performance of official duties;
- not to take part in associations of citizens whose activity is not subject to legalization in accordance with legislation or is judicially prohibited;
- not to take part in the unlawful activity of the bodies of foreign nations and foreign organizations;
- to fulfill the requirements of the secrecy regimen stipulated in accordance with Article 20 of this Law;
- to inform the officials who have granted him clearance to state secrets of circumstances that impede the safekeeping of the state secrets entrusted to him.

**Article 28.** Restrictions of rights in connection with clearance to state secrets

A citizen who has or had been granted clearance to state secrets and was actually informed of state secrets under the procedure stipulated by law may be restricted in the right of departure for permanent residence in a foreign nation until the declassification of the corresponding information, but not for more than five years from the time of revocation of clearance to state secrets.

Departure for permanent residence in a nation with which Ukraine has agreements on mutual safeguarding of state secrets or other international agreements that provide for such departure is not restricted.

The restrictions on the freedom of information activity that arise from this Law also extend to the citizen.

**Article 29.** Compensation to citizens in connection with work that envisages access to state secrets

In cases where a citizen, by virtue of his professional activity, has to work continuously with information that constitutes state secrets, he should be granted the corresponding compensation for working under conditions of regimen restrictions, the amounts and procedure for granting which are established by the Cabinet of Ministers of Ukraine.

**Article 30.** Restrictions on the promulgation of information that constitutes state secrets in the press and other mass media

During the preparation of materials for publication, dissemination in the press and other mass media or their movements across the border, enterprises, institutions, organizations and citizens must be guided by the Law of Ukraine "Information," this Law and other legislation with the aim of safeguarding information that constitutes state secrets.

The State Committee of Ukraine on Issues of State Secrets in the Press and Other Mass Media monitors the

upholding of legislation on issues of the safeguarding of state secrets against dissemination in the press and other mass media.

**Article 31.** Restrictions pertaining to the transmission of state secrets to another state

Information that constitutes state secrets, before the revocation of a decision to designate it as a state secret and the declassification of the media of that information, may be transmitted to another state only on the basis of a well-founded directive of the President of Ukraine or international agreements ratified by the Supreme Soviet of Ukraine.

**Article 32.** Restrictions pertaining to the presence and activity in Ukraine of foreign citizens and foreign legal persons, as well as the disposition and movements of objects and technical means belonging to them

Restrictions pertaining to the presence and activity in Ukraine of foreign citizens and foreign legal persons, as well as the disposition and movements of objects and technical means belonging to them, are defined by the corresponding legislation.

**Article 33.** Specific features of the exercise of judicial, oversight, monitoring and auditing and other functions of bodies of state authority with regard to enterprises, institutions and organizations whose activity is connected with state secrets

The bodies of state authority, including judicial, law-enforcement and monitoring and auditing, shall in coordination with the State Committee of Ukraine on Issues of State Secrets provide a special procedure for the exercise of their functions with regard to enterprises, institutions and organizations whose activity is connected with state secrets, for the purpose of keeping state secrets from possible divulgence.

The enterprises, institutions and organizations that are performing activity connected with state secrets have the right to refuse the granting of information or the fulfillment of other decisions of these bodies of state authority if they were not established under the designated procedure or do not uphold it.

The State Committee of Ukraine on Issues of State Secrets must be clearly informed of the motivations for such a refusal, and is obligated to make a decision on its well-foundedness within a month.

In a case where the State Committee of Ukraine on Issues of State Secrets confirms the indicated refusal, the corresponding body of state authority may appeal it to the Supreme Court of Ukraine.

**Article 34.** Engineering-technical means of safeguarding state secrets

Enterprises, institutions and organizations that are performing activity connected with state secrets, with the aim of the technical protection of the information, are obligated to use protective means of processing, transmitting and safekeeping the information and technical devices for

its protection that are certified as to the conformity of those means and devices to the standards for technical protectiveness.

Enterprises, institutions and organizations have the right to perform activity connected with the production and servicing of systems and means, the performance of operations and the offering of services that ensure the technical protection of the state secrets exclusively with the holding of the corresponding permission (license).

The certification and licensing envisaged by this article are performed by the State Service of Ukraine on Issues of the Technical Protection of Information.

**Article 35.** Cryptographic measures for safeguarding state secrets

Cryptographic measures of safeguarding state secrets are implemented under the procedure stipulated by the President of Ukraine.

**Article 36.** Operational measures for safeguarding state secrets

Operational measures for safeguarding state secrets are implemented in the course of counter-intelligence, intelligence and operational-investigative activity by bodies of Security Service of Ukraine and other state bodies to which are granted the right by law to perform that activity.

The list and procedure for employing operational measures are defined by the corresponding legislation.

**Article 37.** Monitoring the assurance of the safeguarding of state secrets

The heads of enterprises, institutions and organizations are obligated to perform constant monitoring of the assurance of the safeguarding of state secrets.

Enterprises, institutions and organizations that place orders with subcontractors have the right to monitor the safeguarding of state secrets that were transmitted to the subcontractors in connection with the fulfillment of the orders.

State bodies to which the right to resolve issues of access to specific information that constitutes state secrets has been granted by decision of a state expert in issues of state secrets are obligated to monitor the state of the safeguarding of state secrets at all enterprises, institutions and organizations that are performing operations with or are holding information media connected with the corresponding state secrets.

The State Committee of Ukraine on Issues of State Secrets has the right to monitor the safeguarding of state secrets at all state bodies, enterprises, institutions and organizations to which the permission (license) stipulated in Article 19 of this Law has been issued.

## Part V

### Liability for Violations of Legislation on State Secrets

**Article 38.** Liability for violations of legislation on state secrets



Officials and citizens who are guilty of:

- classification of the information envisaged by parts three and four of Article 6;
  - the affixing of a secrecy stamp to media of secret or confidential information that does not constitute a state secret;
  - the unwarranted classification of information;
  - violations of the requirements for refusing to grant clearance to state secrets;
  - violations of the obligations with regard to the safekeeping of state secrets;
  - the divulgence of state secrets through the mass media;
  - a failure to uphold the restrictions pertaining to the transmission of state secrets to another state; and
  - failure to monitor the safeguarding of state secrets;
- bear liability in accordance with legislation.

*President of Ukraine L. Kravchuk*

*City of Kiev, 21 January 1994*

#### **Decree on Implementation**

*944K0875B Kiev HOLOS UKRAYINY in Ukrainian  
10 Mar 94 p 6*

[Text of decree]

[Text]

#### **Decree of the Supreme Soviet of Ukraine, "Procedure for Entry Into Force of the Law of Ukraine 'State Secrets'"**

The Supreme Soviet of Ukraine decrees:

1. The entry into force of the Law of Ukraine "State Secrets" as of the day of its publication.
2. The Cabinet of Ministers of Ukraine, in conjunction with the commissions of the Supreme Soviet of Ukraine on issues of defense and state security and issues of glasnost and the mass media, will within three months develop and submit for the consideration of the Supreme Soviet of Ukraine draft laws of Ukraine on the making of changes and amendments to the legislation connected with issues of safeguarding state secrets.
3. The Cabinet of Ministers is charged with:
  - developing a draft Statute on State Experts on Issues of State Secrets and submitting it to the President of Ukraine for approval;
  - developing and approving:
    - a statute on the procedure and mechanism for the formulation and publication of the Register of Information that Constitutes State Secrets;
    - a statute on the procedure and terms for granting permission (license) for the performance of activity connected with state secrets;

a statute on the special regimen for the activity of enterprises, institutions and organizations that is connected with state secrets;

a statute on the procedure, types and amounts of compensation for citizens in connection with work that envisages access to state secrets.

4. The Cabinet of Ministers of Ukraine will by 1 May 1994:

- bring the resolutions of the Government of Ukraine into conformity with this Law;
- provide for the review and abrogation by ministries and agencies of Ukraine of their official documents that contradict this Law.

5. Hereinafter, until the adoption of the corresponding legal documents of Ukraine and the bringing of the legislation of Ukraine into conformity with the Law of Ukraine "State Secrets," to employ prevailing legislation insofar as it does not contradict this Law.

*Chairman of the Supreme Soviet of Ukraine I. Plyushch*

*City of Kiev, 21 January 1994*

## **ECONOMIC AFFAIRS**

### **Statute on Investment Funds, Investment Companies**

#### **Text of Statute**

*944K0963A Kiev HOLOS UKRAYINY in Ukrainian  
11 Mar 94 pp 8-9*

[Text of statute under the rubric "The Laws of the Independent Nation"]

[Text]

### **Statute on Investment Funds and Investment Companies**

*This Statute defines the concepts of investment funds and investment companies, the procedure for creating them and the conditions of their activity, the exercise of state monitoring and measures pertaining to protecting the interests of their participants.*

#### **Section I. The Investment Fund**

1. The investment fund is a legal person founded in the form of a closed joint-stock company with a regard for the requirements stipulated by this Statute, and which conducts exclusive activity in the realm of joint investment.

2. The principal terms and concepts that are employed in this Statute are:

affiliated individual of an investment fund or investment company—an investment manager, founders and participants, each of which owns no less than 25 percent of the investment certificates;

depository of an investment fund—a legal person that performs the appropriate safekeeping of assets, supports

operations with the assets of the investment fund and accounts for the movement of assets on the basis of the depositary agreement;

mutual fund of an investment company—a fund that issues investment certificates with an obligation to the participants with regard to their redemption; a closed investment fund is a fund that issues investment certificates without assuming the obligation of redeeming them;

investment declaration—a constituent element of the charter of the investment fund, which defines the basic areas and limitations of the investment activity of the fund and the procedure for the issue, sale and redemption of investment certificates, as well as other questions of the investment activity of the fund;

investment manager—a trader in securities with whom an agreement is reached to administer the investment fund;

investment certificate—a security that is issued exclusively by the investment fund or investment company, and gives the right to its holders to the receipt of income in the form of dividends;

joint investment—an activity that is accomplished in the interests of and at the expense of the founders and participants of an investment fund, via the issue of investment certificates and the pursuit of commercial activity with securities;

net assets of the investment fund—a value that is defined as the difference between the total assets and the amount of liabilities of the investment fund with a regard for their market value.

### 3. Investment funds are divided into open and closed.

Open funds are created for an indefinite period of time, and redeem their own investment certificates at times stipulated in the investment declaration of the investment fund.

Closed funds are created for a certain period of time, and make settlements with regard to investment certificates after the conclusion of the term of activity of the investment fund.

### 4. Legal and natural persons may be the founders of an investment fund.

Legal persons in which the share of state property in the authorized capital is greater than 25 percent may not be the founders of an investment fund. Legislation may establish other restrictions pertaining to the participation of legal and natural persons in the creation of investment funds.

The founders bear liability before the participants of the investment fund within the limits of the value of the shares belonging to them in the authorized capital. The shares of stock are kept in depositaries and may not be offered for sale.

### 5. In order to create an investment fund, its founders conclude a founding agreement, approve a charter and

register the investment fund under the procedure stipulated for the registration of joint-stock companies.

### 6. The founding agreement defines the procedure for the founders to carry out joint activity connected with the creation of an investment fund, and their responsibilities to the participants and third parties.

The charter of the investment fund indicates the name, location and type of the investment fund, the amount of and procedure for changes to the authorized capital, the composition of the founders, the procedure for the creation of administrative bodies for the investment fund, their compensation and decision-making procedures, the procedure for the founders to receive dividends for each share of stock in an amount that is equal to the size of the dividends per investment certificate, and the procedure for the re-organization and liquidation of the investment fund.

The charter of the investment fund should contain a requirement with regard to prohibiting the creation of any special or reserve funds, and may also contain a provision pertaining to the complete division of its profits among the founders and participants under a procedure established by the investment declaration.

The charter may also include other provisions as well that do not contradict prevailing legislation.

### 7. The charter of the investment fund should be no less than 2,000 times the minimum wage stipulated at the time of its registration, and be formed at the expense of the contributions of the founders in the form of funds, securities deemed such by the Law of Ukraine "Securities and the Funds Exchange," and real property.

The portion of the real property in the authorized capital shall not exceed 25 percent.

### 8. Natural and legal persons that have acquired the investment certificates of a fund are participants in that investment fund.

A participant in an investment fund may be issued a certificate for the cumulative value of investment certificates.

### 9. Investment certificates may be in a name or for the bearer.

The minimum nominal value of an investment certificate may not be less than 10,000 karbovantsi. The nominal value of investment certificates that exceed 10,000 karbovantsi shall be a multiple of the minimum nominal value. The investment certificate contains the following particulars:

- the firm name of the investment fund;
- its location;
- name of the security ("investment certificate") and its ordinal number;
- date of issue;
- type of investment certificate, and its nominal value;

- name of the owner (for an investment certificate in a name);
- time frame for the payment of dividends;
- official signature of investment manager or other authorized individual;
- seal of the investment fund.

The nominal value of one investment certificate shall be equal to the nominal value of one share of stock that belongs to the founders. An agreement with an investment manager and auditor or audit firm and a deposit agreement with a depositary are concluded, the registration of the redemption of the investment certificates is performed and the investment declaration and information on the issue of the investment certificates of the investment fund are published for the issue of the investment certificates.

10. The investment declaration contains these particulars: the name of the document ("investment declaration");

- the name, type and location of the investment fund, and the amount of its authorized capital;
- the basic directions, topic, aims and limitations on the investment activity of the investment fund, as well as the procedure for the sale of investment certificates;
- information on the issue of investment certificates, obligations regarding their redemption, and the consequences of a failure to fulfill those obligations;
- the commissions, remuneration and expenditures that could be paid out of the funds of the investment fund;
- the location, time frames and procedure for the paying of dividends; stipulations regarding the creation of any special or reserve funds.

11. The supreme administrative body of the investment fund is the general meeting of the founders, under whose exclusive jurisdiction falls:

- the making of changes and amendments to the founding agreement and the charter of the investment fund;
- the approval of the investment declaration, the terms of the deposit agreement, the agreement with the investment manager, the agreement with the auditor or audit firm and the making of changes and amendments to those documents under stipulated procedure;
- the making of decisions and approval of information on the issue of investment certificates;
- the approval of the results of the annual activity of the investment firm after the performance of an audit verification;
- the approval of the procedure for the computation of dividends;
- the making of decisions regarding the creation, reorganization or dissolution of affiliates or regional offices of the investment fund and approval of the statutes on them; the making of decisions on liquidating

the fund, creating a liquidation commission and approving the liquidation balance sheet;

- the election and recall of members of the oversight council.

The general meeting of the founders is called at least once a year, as well as by demand of the depositary, oversight council, investment manager or participants in the investment funds that are the owners of not less than 10 percent of the investment certificates issued.

12. An oversight council, no less than 60 percent of the members of which shall be non-affiliated persons, is created for the purpose of monitoring the activity of the investment manager and protecting the interests of the participants. Individuals who are not participants in the investment fund may also be elected members of the oversight council. The decisions of the oversight council are made by a two-thirds vote of the overall quantity of members.

The members of the oversight committee have the right to be present at general meetings of the founders, and to receive information on the activity of the investment fund and on the term of fulfillment of the deposit agreement by the depositary. The making of changes and amendments to the investment declaration and the contract with the investment manager shall be coordinated with the oversight council.

A general meeting of the founders is obligated to recall or re-elect members of the oversight council in a case where participants who are the owners of not less than one percent of the investment certificates have made a written demand for it.

A member of the oversight council of an investment fund may not be a member of the oversight council of another investment fund at the same time.

13. The investment manager administers the assets of the investment fund in the name of the investment fund without power of attorney, and prepares drafts of informational announcements on the issue of investment certificates. The investment manager may not be the depositary of the investment fund.

The investment manager organizes the sale of the investment certificates of the investment fund. He may enlist agents in the distribution of securities of the investment fund for that purpose.

The investment manager, in conjunction with the depositary, estimates the value of the net assets per investment certificate issued, and publishes the corresponding information once every six months.

The investment manager may not offer investment certificates for sale at a price below the nominal price.

The investment manager of an open investment fund is obligated to take steps to redeem investment certificates on demand of their owners in the name of and at the

expense of the funds of the investment fund, and in a case where such funds are lacking, at the expense of their own funds.

14. The investment manager receives remuneration for the performance of his duties, the annual amount of which shall not exceed five percent of the average annual value of the net assets of the investment fund, or 10 percent if the assets of the investment fund are more than 50 percent composed of privatization vouchers.

The agreement with the investment manager may be a constituent element of the founding agreement, if the investment manager is a founder of the investment fund.

The investment manager should act exclusively in the interests of the founders and participants of the investment fund in the performance of his duties.

In a case when an agreement is made to administer the assets of more than one investment fund by an investment manager, he is obligated to inform the Anti-Monopoly Committee of Ukraine of that fact within ten days from the time the agreement is concluded.

15. The depositary of an investment fund may perform operations with securities by means of bookkeeping entries using computers. A written document created on the basis of an entry in a computer shall include the name of the depositary, the signature of the authorized individuals of the depositary, and the particulars to which the investment certificate should conform.

The depositary may not be a founder or investment manager, as well as a creditor, of the investment fund. The depositary has the right to convene extraordinary meetings of the council of founders of an investment fund in a case where the value of the net assets of the fund that he accumulates decreases to 90 percent of their nominal value. The depositary is obligated to submit a report to the oversight council pertaining to operations with the assets of the investment fund under the procedure stipulated by the deposit agreement. The assets of the investment fund that are kept by the depositary may not be used by the depositary as its own credit resources. Permission to act as the depositary of an investment fund or investment company is issued by the Ministry of Finance of Ukraine.

16. The investment manager of the investment fund concludes a deposit agreement with a depositary. The deposit agreement indicates the subject of the agreement between the parties, the rights and obligations of the parties, the provisions for mutual liability of the parties for damages that could arise as a consequence of the failure to fulfill the agreement, the substance of the investment declaration, the amount of remuneration for the depositaries for rendering services to the investment fund and other terms, including a stipulation of confidentiality. The deposit agreement may be broken off by one of the parties with advance notice to the other of such intention of no less than six months, if not otherwise stipulated by the deposit agreement. The investment manager should conclude an agreement with another depositary before the effective term of the agreement with a depositary comes to an end.

17. The investment fund does not have the right:

- to issue debt instruments and notes;
- to acquire more than five percent of the securities of one issuer or to invest more than 10 percent of its own securities in a single issuer, aside from investment in the instruments of domestic state loans, obligations of the state treasury and other securities, the receipt of income from which is guaranteed by the Government of Ukraine;
- to hold less than 70 percent of the assets of the investment fund in securities;
- to buy investment certificates of another investment fund with privatization vouchers;
- to engage in representative activity with privatization vouchers;
- to assume bank credit, aside from cases of the use of an open fund using that credit to redeem its own investment certificates;
- to make investments in securities whose issuer is an affiliated individual of the investment fund;
- to issue property guarantees secured by the property of the fund for third parties, or to conclude mortgage agreements;
- to acquire securities of unlimited and limited partnerships.

## Section II. The Investment Company

18. A trader in securities which, aside from the conduct of other types of activity, may attract funds for the making of joint investments by means of the issue of securities and their placement, is deemed an investment company. An investment company is created in the form of a joint-stock company or a company with limited liability under the procedure stipulated for those companies, and performs its activity with regard to joint investment in accordance with this Statute. The authorized capital of an investment company that makes joint investments is formed under the procedure stipulated by the Law of Ukraine "Public Companies," and shall be not less than 50,000 times the minimum wage defined at the moment of the registration of the investment company.

19. The investment company, in conducting its activity with regard to joint investments, is obligated to found a mutual fund, register the issue of investment certificates, and publish the investment declaration and information on the issue of investment certificates by it. The investment certificates that are issued by an investment company shall conform to the requirements stipulated in Paragraph 9 of this Statute. The restrictions indicated in Paragraph 17 with regard to investment funds extend to joint investments that are made by means of the issue of investment certificates of an investment company. An investment company obtains investment certificates in an amount that corresponds to the value of the property transferred by it to the mutual fund. The investment certificates of the founders are kept in a depositary, and



may not be offered for sale. The restrictions indicated by Paragraph 4 of this Statute extend to the founders of an investment company that makes joint investments.

20. The mutual fund is an affiliate of the investment company that is created by decision of its supreme body. This body also approves the statute and the investment declaration of the mutual fund. The decision to create a mutual fund is considered to be made if no less than  $\frac{3}{4}$  of the shareholders (participants) present and taking part in the voting at a general meeting of the investment company have voted for it. The mutual fund has a separate balance sheet and business account, and is subject to state registration under the procedure envisaged for the registration of affiliates of the subjects of business activity. The investment company may transfer property in the form of securities and real property to the balance sheet of the mutual fund. Penalties under the obligations of an investment company not connected with the activity of the mutual fund may not be imposed on the property of a mutual fund. The investment company obtains profits from activity connected with joint investment in proportion to the value of the property transferred by it to the mutual fund, if not otherwise specified in the investment declaration. The investment company may found open or closed mutual funds that conduct activity pertaining to joint investment under the procedure stipulated by this Statute for investment funds. The investment company is obligated to submit information on the activity of the mutual fund to the general meeting of shareholders (participants) no less than once a year.

### **Section III. The Activity of an Investment Fund and a Mutual Fund of an Investment Company Pertaining to Joint Investments**

21. Investment funds, as well as investment companies, that have founded mutual funds (hereinafter, funds), issue investment certificates that are offered for placement among the participants in order to carry out joint investment. Open funds invest the funds that are received from the participants in securities of other issuers. Closed funds have the right to invest in securities and acquire real property, and the portions and shares that belong to the state in the property of public companies in the process of privatization. The investment certificates of open funds may be acquired for the funds of the participants, and those of closed funds for the funds of the participants and privatization vouchers.

22. The issue of investment certificates is accomplished after the registration of their issue at a financial body under the procedure defined by the Ministry of Finance of Ukraine. The funds have the right to make a general issue of investment certificates in an amount whose size should not exceed 15 times the amount of their authorized capital. Open funds issue investment certificates that are not subject to unrestricted resale, and closed funds issue certificates that are subject to unrestricted resale. The investment certificates are offered for placement and are redeemed by the fund at a price that is equal to the value of the net assets, at the time stipulated by the investment declaration. The value of the assets in which the funds of

the founders and participants of the fund are placed in current prices at the moment of valuation is deemed to be the net assets of the investment fund.

23. The investment certificates of closed funds may be exchanged for privatization vouchers, if those funds have received permission to carry out commercial activity with privatization vouchers under the procedure stipulated by the State Property Fund of Ukraine. The closed funds serve the owners of privatization vouchers with the restrictions that the investment certificates are subject to redemption by the fund no earlier than the conclusion of the term of utilization of the privatization vouchers, and that the participants in the investment fund are not guaranteed a fixed amount of dividends. Privatization vouchers that are under the ownership of the fund are subject to indexing in a case of the general indexing of privatization vouchers. The fund has the right to make additional issues of investment certificates at 50 times the amount of the privatization vouchers accepted for placement, under a procedure that is approved by the State Property Fund of Ukraine and the Ministry of Finance of Ukraine.

24. The valuation of the net assets of the fund is performed in accordance with the Statute on the Procedure for the Valuation of the Net Assets of Investment Funds and Mutual Funds of Investment Companies as approved by the Ministry of Finance of Ukraine. The value of the net assets per investment certificate of an open fund is calculated quarterly, on a date that is stipulated by the Ministry of Finance of Ukraine. A mutual fund is obligated to redeem the investment certificates from the fund participants at that price.

25. The income of the fund is formed from dividends and other receipts from securities that are under the ownership of the fund, and income from operations with securities and other assets. The income of the fund and its founders and participants is taxed in the payment of dividends under the procedure stipulated by prevailing legislation. The profits of the fund are subject to division among the founders and participants in the form of dividends. The profits of the founders of the fund may be applied, in accordance with the investment declaration, toward increasing the size of the authorized capital.

26. The fund composes and publishes information on its activity at the times and in the amounts that are defined by prevailing legislation. The accounting and monitoring of the activity of the fund with regard to the placement of privatization vouchers are performed under the procedure stipulated by the State Property Fund of Ukraine and the Ministry of Finance of Ukraine. The open funds are obligated to report to their participants every six months and publish in the press a financial report, which shall contain the accounting balance sheet with a listing of the investment fund (quantity, types and market value of the securities that are under the ownership of the fund), a report on income and expenses, as well as dividends paid over the period, a report on the value of the net assets of

the fund, a report on the quantity of investment certificates issued by the fund, the nominal value of one investment certificate and the value of the net assets of one investment certificate as of the date of compilation of the report, and information on changes in the composition of affiliated individuals and members of the oversight council, as well as changes in the investment manager and depository. The financial report on the results for the year must be verified by the auditor. Closed funds every six months publish the following data: the value of the net assets of the fund (including the value and quantity of non-utilized privatization vouchers that are certified by the findings of an auditing organization), a listing and the quantity of securities from a single issuer (in an amount greater than one percent of the assets of the fund) that are under the ownership of the fund, the value of other assets that are under the ownership of the fund, a report on the indebtedness of the fund, and data on the overall quantity of investment certificates of the fund that are in circulation at the end of the six months. The investment company conducts an accounting of the presence and circulation of the property of each mutual fund separately from its own property. The funds that place privatization vouchers are obligated to save the documents on all agreements made by them with privatization vouchers for a term of five years. If the funds are liquidated prior to that time, the documents on their activity with privatization vouchers are transferred to the State Property Fund.

27. State monitoring of the activity of a fund is provided for, in accordance with the Law of Ukraine "Securities and the Funds Exchange" and this Statute, by the Ministry of Finance of Ukraine and local financial bodies. State monitoring of the commercial activity of funds with privatization vouchers is provided by the State Property Fund of Ukraine. Violations of the requirements of this Statute entail civil, administrative and criminal liability in accordance with prevailing legislation.

28. Monitoring of the upholding of anti-monopoly legislation in the process of carrying out joint investment by an investment fund, investment company or mutual fund of an investment company is provided by the Anti-Monopoly Committee of Ukraine in accordance with prevailing legislation. The investment fund or investment company should inform the Anti-Monopoly Committee of Ukraine, either directly or through the investment manager, on their conclusion of agreements between the investment fund, investment company or mutual funds of an investment company and third parties pertaining to the acquisition of securities, as a result of which the fund or company obtains more than five percent of the securities of a single issuer. That information is submitted within five days from the moment of reaching the agreement on the purchase of the securities.

29. The fund curtails its activity in accordance with prevailing legislation and with a regard for the requirements stipulated by this Statute. Closed funds that serve the owners of privatization vouchers may be liquidated before the end of the time period for the use of privatization vouchers only by decision of a court of arbitration. In

a case of the bankruptcy of an investment company, penalties may be imposed on the property of a mutual fund only after settlements with all participants in the mutual fund except the founders. The liquidation commission publishes in the print media, by location of the fund, information on its liquidation and the procedure and time periods for the making of claims by creditors. The commission shall publish the first information a week after its creation, and repeat it not less than twice for a period of two months. The property of the fund is sold exclusively at auction. The receipts from the sale are applied toward satisfying the demands of creditors. The funds that remain after this are distributed among the participants in proportion to the quantity of investment certificates. In a case where the value of the property per investment certificate is less than its nominal value, the difference to the participants is covered at the expense of the funds of the founders. The fund is considered to be liquidated from the moment of its deletion from the state register. A closed-type fund curtails its activity after the completion of the declared time frame. A closed fund may also be converted into an open fund by decision of its founders.

#### **Edict on Investment Funds, Companies**

944K0963B Kiev HOLOS UKRAYINY in Ukrainian  
11 Mar 94 pp 8

[Text of edict of the President of Ukraine "Investment Funds and Investment Companies"]

[Text]

#### **Edict of the President of Ukraine "Investment Funds and Investment Companies"**

In order to provide for the functioning of the fund market and the circulation of privatization vouchers I decree:

1. That the Statute on Investment Funds and Investment Companies (attached) is approved.
2. It is stipulated that subjects of business activity that are called an "investment fund" or an "investment company" that were founded before the entry into force of the Statute on Investment Funds and Investment Companies or have been conducting the activity envisaged in Paragraph 21 of this Statute shall bring their founding documents and the terms of issuing investment certificates into conformity with the requirements of the Statute within six months from the date of publication of this Edict.
3. That the Cabinet of Ministers of Ukraine will develop and submit for the consideration of the Supreme Soviet of Ukraine within a month a draft Law of Ukraine "Changes and Amendments to the Law of Ukraine 'Taxation of the Income of Enterprises and Organizations,'" directed toward avoiding the double taxation of the income from activity connected with the circulation of securities.
4. That the Ministry of Finance of Ukraine and the State Property Fund of Ukraine approve the regulations envisaged by this Statute within two months.

President of Ukraine L. Kravchuk  
City of Kiev, 19 February 1994

**Statute of Ukrainian Credit Fund**

944K1091A Kiev PRAVDA UKRAINY in Russian  
7 Apr 94 p 2

["Edict of the President of Ukraine: On the Statute of the Ukrainian Credit Fund" and "Statute of the Ukrainian Credit Fund"]

[Text]

**Edict of the President of Ukraine**

In keeping with the Edict of the President of Ukraine dated 18 March 1994 No. 97 "On the Establishment of the Ukrainian Credit Fund," IT IS RESOLVED:

1. The Statute of the Ukrainian Credit Fund shall be approved.
2. This edict shall take effect on the day of signing.

[Signed] President of Ukraine L. Kravchuk  
City of Kiev  
31 March 1994  
No. 118/94

**Statute of the Ukrainian Credit Fund****I. General Provisions**

1. The Ukrainian Credit Fund (henceforth, the fund) shall perform the function of attracting foreign loans for the economy of Ukraine.

By a decision of the state organ issuing the relevant securities, the fund may perform the functions of issuer of state securities for external circulation and administrator of proceeds from the sale of state security, as well as of borrowed monies attracted by the fund from other sources.

The fund shall be responsible for obligations entailed by the terms of issue of state securities, as well as for the borrowed monies attracted by the fund.

The monies of the fund shall not be part of the State Budget of Ukraine and shall not be subject to withdrawal.

2. In its operations the fund shall proceed from the Constitution, the laws of Ukraine, edicts and directives of the president of Ukraine, acts of the Cabinet of Ministers of Ukraine, other legislative acts of Ukraine, and the present Statute.

3. The fund shall engage in operations on the condition of full economic independence.

4. The fund shall be a legal entity, and shall have its own balance sheet, accounts at banking institutions, a seal, stamps and forms with the depiction of the State Emblem of Ukraine and the name of the fund, and particulars necessary to engage in operations.

**II. Tasks and Functions of the Fund**

5. The main tasks of the fund shall be:

—performing the functions of issuer of state securities and discharging obligations entailed by the terms of their issuance;

—ensuring the liquidity of securities for which the fund is the issuer;

—searching for and attracting credit resources to the economy of Ukraine;

—participating in the implementation of state programs associated with the attraction of foreign investment;

—cooperating with foreign and international financial and credit institutions, investment organizations, unions, partnerships, and associations on issues of attracting investment to the economy of Ukraine;

—developing and carrying out investment projects and programs;

—facilitating the development of Ukrainian banks, investment funds and companies, and other credit and finance institutions and organizations.

6. The fund shall accomplish its tasks in cooperation with the National Bank of Ukraine, the organs of state executive power of Ukraine and the Republic of Crimea, banks, credit institutions, and other organizations and enterprises with any form of ownership.

7. In keeping with its tasks, the fund shall:

—ensure the issuance and circulation of state securities of which the fund is the issuer;

—accumulate proceeds from the sale of state securities of which the fund is the issuer, and channel them, in keeping with the terms of securities issuance, to finance investment projects and programs;

—set forth procedures for the use of the monies of the fund and ensure the monitoring of their special-purpose use;

—receive and service loans;

—establish insurance, stabilization, and other foreign exchange funds together with the National Bank of Ukraine (with its consent), the relevant state organs and institutions, as well as funds;

—engage in economic (commercial) operations with a view to accomplishing the tasks set forth in the present Statute;

—develop draft regulatory acts concerning the issues of using the monies of the fund with the participation of interested ministries and other organs of state executive power;

—form partnerships with other legal entities in order to engage in joint operations to use the monies of the fund;

—appoint authorized persons and agencies of the fund.

**III. Guarantees of the Operation of the Fund**

8. State organs shall facilitate the operations of the fund, which the latter shall perform in keeping with the Constitution and laws of Ukraine, other legislative acts of

Ukraine, and the present Statute, and shall not interfere with such operations of the fund.

9. The organs of state executive power may not make decisions concerning the use of the monies of the fund without its consent.

10. The fund shall not be responsible for the obligations of the state, nor shall the state be responsible for the obligations of the fund, except for cases in which the parties assume such obligations.

11. Decisions of the organs of state executive power concerning the operation of the fund may be appealed by the latter through judicial proceedings.

#### IV. Monies of the Fund

12. The monies of the fund are generated through:

- proceeds from the sale of state securities of which the fund is the issuer;
- credit and other loans;
- payments for the credit resources provided by the fund;
- proceeds from economic (commercial) operations;
- voluntary donations by banks and other legal entities and individuals;
- other proceeds which are not banned by the legislation of Ukraine.

13. The fund shall be the sole administrator of its monies.

14. The monies of the fund shall be allocated:

- to meet obligations by virtue of state securities of which the fund is the issuer;
- to provide credit resources to banks and other credit institutions of Ukraine;
- to finance investment projects and programs;
- to establish insurance, stabilization, and other foreign exchange funds;
- to finance economic (commercial) operations;
- to provide financial assistance to banks and other credit institutions of Ukraine;
- to pay taxes and make other mandatory payments;
- to cover outlays entailed by the operation of the bank and the maintenance of its staff;
- to engage in sponsorship, charitable activities, and so on.

15. As a rule, the fund provides financing for investment projects and programs by making the monies of the fund available to banks, investment funds, and other credit institutions and organizations for the extension of special-purpose credit.

#### V. Management of the Fund and Monitoring of Its Operations

16. The fund shall be headed by the president of the fund.

The president of the fund shall form the Board of the Fund, which shall be the supreme collective management organ of the fund. The board shall resolve all issues related to the operation of the fund.

The president of the fund shall be appointed by the president of Ukraine for a term of five years on the suggestion of the Board of the Fund.

The vice presidents of the fund and the chiefs of structural subdivisions of the fund shall be members of the Board of the Fund ex officio.

17. The Council of the Fund shall be the consultative-advisory organ of the fund.

Leaders of the Ministry of Finance of Ukraine, the Ministry of the Economy of Ukraine, and the National Bank of Ukraine, as well as those of the 10 leading banks of Ukraine, shall be members of the Council of the Fund.

18. The National Bank of Ukraine, the Ministry of Finance of Ukraine, and other relevant state organs shall monitor the operations of the fund.

#### VI. Final Provisions

19. The Board of the Fund shall approve the structure, estimate of outlays on maintaining the staff of the fund, and conditions for labor compensation for staff employees.

20. Liquidation of the fund shall be effected through established procedures. Assets remaining after the claims of creditors have been satisfied and other obligations of the fund have been discharged shall be put at the disposal of the state.

#### Major Crop Seed Procurement, Sowing Progress Reported

##### Corn Seed Allotted, Railroads To Cooperate

944K1087A Kiev *SILSKI VISTI* in Ukrainian 8 Feb 94  
p 1

[Report by the Press Service of the President of Ukraine and the Ukrainian Cabinet of Ministers—Ukrinform: "Seeds for Sowing"]

[Text] Upon orders from the Ukrainian Cabinet of Ministers corn seed has been allotted from the state reserves at the disposal of the oblast-level state administrations for sale to collective agricultural enterprises, state farms, village (farm-type) enterprises, and other goods-producers for purposes of sowing in 1994. A total amount of 125,000 tonnes of seeds have been allotted. Provision has been made for the Ukrainian railroads to allocate additional freight cars for loading and unloading seeds at the request of enterprises of oblast-level production associations of the grain-elevator and grain-processing industry without collecting fees for the supplemental allocation of mobile storage facilities.



### State Administration Head Interviewed on Problems

944K1087B Kiev *SILSKI VISTI* in Ukrainian 4 Mar 94 p 1

[Interview with B.V. Demchenko, administrative head of Derzhsilhosprod, by B. Polishchuk, correspondent: "How Will We Sow the Fields With Spring Seeds?"]

[Text]

[Polishchuk] Borys Veniaminovich, what's the situation now with regard to developments on the spring fields?

[Demchenko] It is a complex matter. In connection with the fact that last autumn considerable areas were not plowed due to a lack of fuel, as well as shortfalls and spillages of winter wheat from freight cars for technical reasons, we must increase the sowing by a factor of 1.5 at a minimum.

[Polishchuk] How many hectares, in particular, must be resown in winter wheat?

[Demchenko] Approximately 2,600,000 hectares. That includes areas which were insufficiently sown last autumn.

[Polishchuk] What's the situation with regard to seeds?

[Demchenko] In my opinion, we will have no problems with regard to seeds for the spring sowing. We need 2 million tonnes of them; the farms already have 1,788,000 tonnes; and approximately 300,000 tonnes of such seeds will be released from the state reserves.

[Polishchuk] But the farms are entering upon the spring-time period with empty cash-boxes.

[Demchenko] We have taken that into account, and several variant solutions have been proposed. If the grain-products system owes a particular farm money for grain that the latter sold to it last year, such a farm will be able to obtain seeds by way of a mutually agreed-upon procedure. Provisions have been made to loan seeds at a certain interest rate, payable after the crop has been harvested. And if a particular farm has money of its own, it can simply buy seeds.

[Polishchuk] But what about prices? Won't it be the case that a farm sold a tonne of wheat last year for 500,000 krb [karbovantsy], but now it will have to pay triple that amount for an equivalent number of seeds?

[Demchenko] The prices are tolerable. A tonne of seeds for spring crops will have a price ranging from 1.5 to 2 million krb.

[Polishchuk] And what about corn seeds? Because, of course, a great deal of land will also be planted in this crop.

[Demchenko] It was planned to sow 1.5 million hectares in this grain crop. But it is now clear from all the evidence in connection with the spillage losses of winter wheat that we will have to sow 1.8 million hectares in corn—that plus 3 million hectares for silage. Therefore, there will be a total of 4.8 million hectares sown in corn. With regard to seeds there is—so to speak—good news and bad news. As a

whole, there are enough corn seeds in Ukraine. We need 120,000 tonnes of them, and the state reserves contain 125,000 tonnes. It is stored and can be delivered to various sites in accordance with the following procedure: Whoever has the means to buy corn seeds can do so. For example, more than 10,000 tonnes from the Cherkassy region and 7,500 tonnes from the Vinnitsa region. The terms of agreement are the same as for the spring-wheat seeds: sales, mutually agreed upon considerations, or loans. Agreement has been reached with the railroads about providing freight cars.

[Polishchuk] But why did you say that there is also some "bad news"?

[Demchenko] There are two things that I'm afraid of. First, that we may not collect these seeds rapidly enough. Spring is already knocking on our door. And second: that a great deal of harm may be done to us by a kind of selfish provincialism. This already happened last year, when certain farmers sold to foreign countries a portion of the corn seeds which had been distributed to them by our state. At present corn seeds are primarily located in seven oblasts. Let me repeat that there are enough of them for all Ukraine. But some persons may be tempted again by the lure of easy money, even though here in our country the price of a tonne of corn seed is really quite decent—ranging from 15 to 18 million krb. We must clearly inform people as follows: Ukraine anticipates a difficult year in agriculture and in the economy as a whole; it would be a sin to complicate matters even more than they already are.

### Grain Seeds Allotted, Railroads To Support Effort

944K1087C Kiev *SILSKI VISTI* in Ukrainian 29 Mar 94 p 1

[Report by the Press Service of the President of Ukraine and the Ukrainian Cabinet of Ministers—Ukrinform: "Grain for Resowing Operations"]

[Text] Upon the orders of the Ukrainian Cabinet of Ministers 110,000 tonnes of seeds for spring grain crops have been allotted from state reserves for distribution to the government of the Crimean Republic, as well as to oblast-level state administrations for release in the form of loans to agricultural goods-producers for purposes of resowing and supplementary sowing of winter crops and perennial grasses in the spring of 1994.

Ukrainian railroads must provide freight cars for loading and unloading seeds upon the request of grain-receiving enterprises, and the railroads must do this without collecting fees for allocating such additional mobile storage capacities.

### Odessa Seed Institute Problems

944K1087D Kiev *SILSKI VISTI* in Ukrainian 21 Mar 94 p 1

[Article by S. Shandar, correspondent: "Superfluous Plant-Breeders?"]

[Text] Because they failed to pay their electric bills on time the production sections of the Plant-Breeding and Genetic

Institute had their power shut off by the Odessa Electric Power Company. Unstable financing had driven the creators of new strains and hybrids of agricultural crops into an impasse. The production requirements are scarcely half-met, and the earnings of the institute's staffers are extremely low.

This situation could be rectified somewhat if various agricultural enterprises were to pay back to the institute the approximately 2 billion krb [karbovantsy] owed in debts, and if the institute managed to sell some 4,000 choice varieties of seeds for spring crops. Such seeds, which used to be snapped up instantly, are now lying idle because the state has no money with which to buy them.

The scientists, who have been brought to a halt by the above-mentioned lack of funds, have been forced to gather up their own research and plant-breeding work and seek out ways to exist within commercial structures, as well as in other states. Over the course of the last few months close to 40 scientific and technical staffers have left the institute. Doctor of Agricultural Sciences V.D. Navolotskyy has also submitted his resignation. He is a prominent plant-breeder, whose varieties of barley are being grown on an area of approximately 5 million hectares in our country and abroad. Veniamin Dmytrovych will be working in Russia, where he will be paid several times what he used to make here in Ukraine....

#### State Administration Head on Spring Wheat Situation

944K1087E Kiev SILSKI VISTI in Ukrainian 5 Apr 94  
p 1

[Interview with V. Hruzdeyev, administrative head, Ministry of Agriculture and Food, by B. Polishchuk, correspondent: "Let's Honor and Respect Spring Wheat"]

[Text]

[Polishchuk] Have the predictions regarding the need to resow winter wheat over considerable areas been confirmed?

[Hruzdeyev] Yes, they have. We must resow winter wheat on 2,300,000 hectares and perform supplementary sowing on 339,000 hectares. That represents one-third of the areas involved.

[Polishchuk] And how does that compare with last year?

[Hruzdeyev] Twice as many tracts were dropped as occurred last. This is particularly true in Nikolayev, Odessa, and Kherson oblasts, where 45-63 percent of the appropriate areas must be resown in winter wheat. At many sites it did not sprout during the autumn because of the drought, or it was damaged by frosts, as was also the case in the Sumy, Poltava, Zaporozhye, Kharkov, Donets, and Crimean regions.

[Polishchuk] With what crops do you plan to resow?

[Hruzdeyev] Basically with barley, oats, peas, corn, millet, rye, and sorghum. Such operations are already widely underway in the southern oblasts.

[Polishchuk] Viktor Hryhorovych, at the very beginning of spring last year our newspaper brought up the matter of the underestimation for extreme situations of spring wheat as an insurance crop. It was a matter of expanding the areas to be sown in that crop in a year of mass resowings so as to compensate in case there was a shortage of grain for making bread and pasta-type products. Was there some movement in this regard?

[Hruzdeyev] There was. This past year more than 22,000 hectares were sown in spring wheat.

[Polishchuk] This year—as they say—even God has commanded that the grain reserves be filled to overflowing.

[Hruzdeyev] Yes. There is a clearly manifested tendency to expand the area sown in spring wheat. Whereas formerly there were some farmers who were quite dissatisfied with its varieties because of a low crop yield, nowadays there are several varieties of spring wheat which have a high yield. Among these are, for example, Kharkov-15, Kharkov-16, Kharkov-37, and a number of others. In testing fields they have produced 45-50 quintals of grain per hectare.

[Polishchuk] Does Ukraine have a large enough supply of spring wheat seeds for the present sowing?

[Hruzdeyev] There are enough seeds to sow this crop over a larger area than last year. They are kept principally in state reserves and in the system of seed farms under the Institute of Vegetation, Plant Breeding, and Genetics imeni V. Yuryev, which is located in Kharkov. A certain quantity of such seeds could be made available subsequently by the Ukrayina Experimental Farm, which is located in the Myronivskyy Rayon in the Kiev Region. Its farms, which were already engaged in studying spring wheat last year, now have these seeds.

It's important to bear in mind that the value of spring wheat consists not merely in filling up the grain reserves when and if there is a reduction in the area sown in winter wheat. At present spring wheat seeds are also valuable—so to speak—as a kind of national currency. At one time Ukraine's services, in particular, those of the Kharkov plant-breeders, were utilized to good advantage by entire regions of the former Soviet Union. With the latter's disintegration, the demand for spring wheat seeds at first declined, but now it is abruptly increasing. There are many requests from the near abroad. If we had enough of these seeds, we would not have to beg for fuel. We could exchange one commodity for the other.

[Polishchuk] And so we ought to apologize to spring wheat and accord it the honor and respect that it has come to deserve. Is that what you mean?

[Hruzdeyev] I certainly do. We have to calculate everything and not give in to extremes. If we do, the mistakes we make could take years to overcome.

### Sowing Progress as of Early April

944K1087F Kiev *SILSKI VISTI* in Ukrainian 8 Apr 94  
p 1

[Unattributed report: "The Fields of Spring"]

[Text] This year work in the fields began almost 10 days earlier than it did last year. The sowing of perennial grasses is now being finished up. Among the first to succeed in this task were farms located in the Crimean Republic, as well as in Volyn, Zhitomir, Zakarpat, Zaporozhye, Lvov, and Nikolayev oblasts.

Because of the lack of mineral fertilizers—the present demand for them is being satisfied only to the extent of 17 percent—the vitalization of winter crops has been restricted.

Winter crops have been resown on 1,013,400 hectares, including grains and legumes on 939,400 hectares. According to the latest data, the area of ruined winter crops will reach 2.5 million hectares.

The Crimean Republic, as well as Odessa, Nikolayev, Kherson, Zakarpat, and Chernigov oblasts have successfully coped with the tasks of sowing early spring crops and resowing winter ones.

Work has begun on sowing sugar beets, in which close to 1.5 million hectares have been planted. Taking part in this work have been farms in the Vinnitsa, Odessa, Chernigov, Nikolayev, Cherkassy, and Kiev regions.

### Drawbacks of Electronic Transfer System Viewed

944K1099A Kiev *UKRAYINA MOLODA* 12 Apr 94 p 3

[Article by Dmytro Lykhovoy: "The Dried-Up Channels Will Be Filled With Water, Won't They?"]

[Text] Not so long ago we celebrated the opening of the clearing house at the NBU [National Bank of Ukraine], after which the directors of the NBU stated (as they continue to state nowadays) that the Ukrainian system of making electronic payments is deserving of important attention and that it has no peers among other similar systems. After a short time, however, it started to snow, and here and there the negative aspects of the electronic transfer system began to be noticed. Therefore, in order to shed some light on interbank electronic accounting and accounting in general, let's profit from the commentary on this matter by the NBU's deputy chairman of the board, Oleksandr Kyreyev.

The Ukrainian system of electronic payments comprises a system of channels which need to be filled with water—that is to say, with money—in order for movement to be observed there. Money is not lacking—and the channels have dried up. How is money to be made? As of now, the conditions are not favorable for economic entities to trade: The longer that items can be kept in storage warehouses, the more favorable it will be to sell. Other factors ruining the payment system include an essential barrier in accounting operations between enterprises—payment in kind (this occurs particularly in rural areas and may be seen when you drive through Ukraine: Bila Tserkva is

surrounded by tires. Novomoskovsk—by pans, the Vinnytsa and Cherkassk regions—by sacks of sugar, which people have received in lieu of payment and which they want to sell). And until monetary operations have been normalized at the enterprise level, until we succeed in raising money for unsold products, and until we turn around the postponed "grain" credits, there can be no talk of the normal operation of a system of electronic payments. The disease of "dried-up channels" cannot be overcome by purely banking measures.

The National Bank was hardly able to stand up under the storm of criticism that was evoked by the prohibition of a debit balance. But: in the first ten days of February five banks went bankrupt (Blagobank, Ekomedbank, Universalbank, Niva, and Olevskyy); at present there is another bank which is on the brink of closing down. Information about the above-mentioned bankruptcies spread at the speed of sound, and many banks having free access to the debit wire began to throw their own debts onto the bankrupt banks. The latter, thereby, closed down with very large debts. On one occasion we managed to trace the path taken by a certain sum of money: In the space of a single day this money turned up in five different banks and was shifted across two oblasts. And so, taking into consideration the fact that electronic payments are extremely fast, the NBU decreed the following: A commercial bank must first recognize a demand made by another commercial bank, and then pay whatever is necessary. Other payments must be put on hold.

At present the commercial banks are complaining particularly about correspondence-type accounts introduced by the National Bank. They say that they cannot conduct accounts this way. But we have already been living for a long time under the conditions of a nonmonolithic banking system. Indeed, five or six years ago there was in effect a system of interbranch turnover or circulation whereby money was only calculated on the accounts of the enterprises involved, but the actual payment would take place in the bank accounts themselves. Nowadays, when numerous commercial banks have begun to handle their own accounts and clear their own money, the National Bank—as the sole currency-emission center—is insisting that the commercial banks pay for its account, for the state's account, as—in the final analysis the taxpayer. Why can commercial banks carry out currency emissions in their own names when they do not agree upon the volume of such emissions? And if a commercial bank complains that a debit or negative balance does not allow it to make payments or pay from clearing accounts, that means that such a bank is finished as a bank: The money received from customers has gone into credits, and the customer-depositors cannot conduct transactions or even obtain ready cash. That is to say, if a bank is capable of performing only the third of its three basic functions (servicing cash-type savings accounts, clearing services, and handling credits), can it be called a complete bank? Or is it not a bank at all? There are quite enough such institutions among our banks.

However, many bankers have justifications for their behavior. To be sure, how can they support the liquidation

of their own banks if—during the hectic period of this year—they have approved credits to the state, and the latter was subsequently unable to settle their accounts? The problem of paying back the credits could bring about the next banking crisis inasmuch as the “grain” and “sugar” money already deposited at the new prices for these goods to be purchased by the rural areas has not yet been paid back. No matter what measures may be taken within the framework of the new payments system—Oleksandr Kyreyev emphasizes—they will not yield a positive result without a complex of state actions regarding the stabilization of the economy.

According to Mr. Kyreyev, the National Bank has not rescued any type of account; it has merely designated certain technological changes. All types of accounts are operative. But of those that we have happily mastered, the most effective forms of handling accounts are the systems of payment deliveries via electronic mail (which includes checks, letters of credit, and everything else), and the most handy and recommended form of handling accounts at present is payment delivery.

#### Seed Supply Problems Plague Field Work Efforts

##### Corn Seed Availability

944K1104A Kiev SILSKI VISTI in Ukrainian 14 Apr 94  
p 1

[Article by V. Onenko: “A Great Ministerial Secret: Many Oblasts Lack Corn Seeds”]

[Text] In the Sumy region a very large area—155,000 hectares—has been set aside for corn; but the sowing is threatened with disruption.

“Never before have our farms been hit by such a crisis-type situation,” laments V. Miroshnyk, duty chief of the oblast-level Agricultural and Food Administration. “In former years corn seeds were already in the storehouses of our farms as early as March. But this year such seeds have not even been brought to the grain-product combines. Moreover, they are skinning us alive for these seeds—ranging from 23 to 33 million karbovantsy per tonne, which is almost double what was recently promised in your newspaper by the responsible staffers of the Ministry of Agriculture and Food. Although the former State Committee on Grain Products was absorbed by the Ministry of Agriculture and Food, we have not yet sensed any improvement in the operation of its structures. All through the winter the department kept referring to the lack of money for the purpose of buying seeds. Now that credits have been allotted, the banks are playing tricks. But we still need to have more than 5,000 tonnes of seeds delivered from the southern region to our farms. If such a pace of solving this problem continues, we will not be able to start sowing corn until it is already harvest time...”

The supply of corn seeds is also quite small on the farms of Lvov, Chernigov, Ivano-Frankovsk, Rovno, Zhitomir, Khmelnytskyi, and other oblasts.

I tried to obtain an explanation of this situation from the chief of the Ministry of Agriculture and Food's Grain-Elevator Administration, B. Slyvchak, but he merely made the following statement: “I will not talk to you without orders from my superiors. That's the way we do things here....”

After some time I came to understand the reason for such strict secrecy with regard to the holdup in the delivery of corn seeds to our country's farms. This important work has collapsed with a resounding crash, even though on paper everything would seem to be just fine. Back on 27 January the Cabinet of Ministers issued an order with regard to delivering corn seeds to farms. It is written therein who are to obtain such sowing material, as well as how much, and from which oblasts; appropriate tasks were also assigned to Ukrainian railroads. However, by the beginning of April none of the kind persons responsible for this matter had so much as lifted a finger to help. The leading officials of the Main Administration for Grain Products under the Ministry of Agriculture and Food cite the fact that there was no money for mutually agreeable settlements among the grain-receiving enterprises. But they are all within the system of a single department. Is it really possible that they could not find a compromise-type, variant—as was frequently done in previous years—for conveying corn seeds from the southern oblasts to the western and northern regions?

Just a few days ago the government resolved the matter of allotting credits to the grain-receiving enterprises. Some 1.3 trillion karbovantsy were granted. But this is a mere drop in the bucket because this money was earmarked not only for purchasing seeds, but also to pay for grain, flour, and groats.

Unfortunately, even these crumbs cannot positively bring about a solution to the task at hand; the banks in the various oblasts are holding up monetary payments from the accounts because of miscalculations therein.

But even if this obstacle—one artificially created by the bankers—is overcome, there is another obstacle lurking around the bend—that of the railroads. The latter are demanding payment up front before they will provide the necessary freight cars.

An impasse-type situation has evolved here: The grain-receiving enterprises do not have the right to take a single karbovanets from the allotted credits, whereas there is nothing but wind blowing through their own accounts. For example, a few days ago the leading officials of the Nikolayev Elevatorzernoprom Association sent a telegram to the Ministry of Agriculture and Food, informing the latter that all the enterprises of this association had gone bankrupt. Now the grain-receiving oblasts of most oblasts are also in the same financial jam. What will happen? One cannot carry tens of thousands of tonnes of grain on one's own back.



**Sunflower Seed Shortage**

944K1104B Kiev SILSKI VISTI in Ukrainian 15 Apr 94  
p 1

[Article by S. Shandar, correspondent: "It's Already Time for Sowing, but Sunflower Seeds Are Still in Storage Facilities"]

[Text] The apricot trees have begun to bloom, and that is a sure sign that it's time to sow sunflowers. But their seeds are not being bought by collective and state agricultural enterprises, nor by private farmers: They simply do not have the money to do that. Approximately 60 tonnes of such seeds are in the storage facilities of the Kholmskyy and Hlavan KSP's [collective agricultural enterprises] in Artsyzkyy Rayon and other farms, which have been growing the Odessa 122, Odessa 123, and Odessa 249 hybrids from the Plant-Breeding and Genetic Institute on a contractual basis. There are enough seeds here to sow 12,000 hectares. On some collective and state agricultural enterprises located in Zaporozhye, Poltava, and Lugansk oblasts the persons in charge intend to sow their fields with random varieties and hybrids, while keeping their own high-quality, enhanced hybrid varieties in storage facilities. The agricultural producers have been compelled to knowingly take the path of a shortfall in the harvest by from four to five quintals per hectare. That is the added amount of the yield from the hybrids from the Plant-breeding and Genetic Institute in Odessa.

An even more alarming situation is evolving with regard to the native forms of hybrids stored in sections here. The

Plant-Breeding and Genetic Institute has received requests to obtain 50 tonnes of such seeds, but only about 10 tonnes have been purchased. These will be enough to sow no more than 2,000 hectares within a total need for 10,000 hectares.

"Because of this situation," says Doctor of Biological Sciences V. Burlov, chief of the Institute's Plant-Breeding and Vegetable-Oil Crops Section, "as early as next year Ukraine will not have enough high-yield, high-quality hybrid seeds for commercial sowings."

Therefore, we could be faced with a situation whereby—because of our present-day poverty and short-sightedness—we will be without vegetable oil as early as next year. In order to prevent this from happening, staffers of the Plant-Breeding and Genetic Institute, along with its choice seed organizations, are proposing that farms and private farmers accept seeds on credit. This would be in exchange—on the basis of mutually agreeable conditions—for a portion of the crop after it is harvested. In particular, they would agree that the agricultural producers—in exchange for the hybrids obtained from them—would give them 100-120 kilograms of seeds from each hectare of sowings. The advantages to be gained by the farmers and private farmers from this arrangement are obvious. Because certainly the additional yield from the Odessa hybrids is substantial, and the oils derived from them is much higher than that obtained from random varieties and hybrids.

The Ministry of Agriculture and Food must also pay heed and concern itself with solving this extremely important problem.

## ARMENIA

### ARF Scores President's 'Illegal' Actions

944K1107B Yerevan AZATAMART in Russian No 15,  
19-25 Apr 94 p 3

[Article by Vardan Petrosyan: "A Capricious Guarantor of Legality"]

[Text] On 5 April, already for the third time in the last year and a half, the people's court of Spandaryanskiy Rayon attempted to start the trial of the ARF [Armenian Revolutionary Federation] Dashnaksutyun [Union] versus Levon Ter-Petrosyan; however, the attempt failed in view of the failure of the defendant—citizen of the Republic of Armenia Levon Ter-Petrosyan—or his representatives to appear in court. Of course, we are not at all inclined to assume that the president of the republic was not informed by the appropriate authorities that this was the third attempt to try the case. Such an assumption would simply look naive. Something else causes concern—L. Ter-Petrosyan, using his status as president, is being guided by the psychology of a person who is free of any kind of responsibility, and not by the logic of a leader who is building a rule-of-law state. But the time of monarchs has passed, and today's president may not be tomorrow's president. What will defend him before the law then? The belated sympathy of the people? Hardly... The citizens of some other country? Possibly... However, there is still time before one of these situations arises, and we should give some thought to realities. And think out loud, inasmuch as what evokes our concern today should without fail to arouse the concern of all our countrymen. After all, under the slogans of building a rule-of-law state and affirming the principles of democracy, violations of the law are being committed before our very eyes, including also on the part of the president of the republic, who, in accordance with the presidential oath, should be the symbol and guarantor of democracy and legality in our country. But perhaps our conclusions are hasty?

"Perhaps, as a matter of fact, the president does not yet want to 'squander his gifts on trifles,' perhaps it is still too early to talk about the lack of arguments," citizens of the republic and his former admirers and comrades in arms might think, possibly desiring to preserve the last memory of their trust in the president. Possibly, they have the right to cherish their last hope, but for every more or less experienced person this question was closed long ago, as if it had not existed at all. Among these are people who are sufficiently informed of the history of the ARF Dashnaksutyun, and, consequently, also about Dashnaksutyun moral principles, and also those who in the last five years have succeeded in sufficiently recognizing the value of the words and deeds of the present authorities (headed by the president). In particular, with the help of the latest mutual exposures and self-exposures of the president's closest circle.

At the end of his television speech on 29 June 1992 the president declared his readiness to present the pertinent facts and justify the accusations raised in his speech against the Dashnaksutyun and its representatives, if...

the "accused party" calls for the legal answerability of the president. It was already evident in those days that the real aim of the president's speech was to influence the psychology of the masses, to dispose them against Dashnaksutyun and, by obtaining the silent consent of a majority of the people, to make short work of the party. The president, not having the legal grounds to carry out his plan, intended to make use of the support of the crowd.

The ARF Dashnaksutyun accepted the president's challenge, because not to accept it would mean, in fact, concurring with the declared accusations, especially because it was already apparent, as it is apparent now, that these accusations have no factual basis and that what has happened is just an anachronistic political "farce" undertaken for the purpose of diverting the attention of the people and the opposition from the main problems.

Any political party, or any political figure, especially the president of the republic, should be well aware that their words and deeds should be calculated not for one day and not even for one year, if, of course, they do not intend to limit their activity to such a short period. They must also not forget, of course, that people can be deluded for a certain time, but no one has been able to do this for a long time, and especially continuously. And if anyone tries to be guided by a different logic, this will sooner or later reveal itself, it will reveal itself, and it will turn against them.

This very same logic in our country lies at the basis of actions and resolutions on national questions; therefore it should be no surprise that those guilty of political terrorism are not being exposed, or that those who are exposed are not punished. The behavior of the authorities on many questions has boomeranged against them. For example, many are openly evading service in the army. No matter how reprehensible this phenomenon is; nevertheless, there are definite reasons for this, and we will not be wrong if we say that first among them is the bad example set for the population by the authorities, in particular by the president himself. It is now obvious that the watershed in the mutual relations of the people and the authorities continues to deepen, which in these decisive days can lead only to extremely dangerous consequences. These are questions which every Armenian should ponder seriously, especially the president of the republic.

### 1993 Industry Ministry Activities Reviewed

944K1107A Yerevan RESPUBLIKA ARMENIYA  
in Russian 20 Apr 94 p 1

[Unattributed article: "Official Chronicle"]

[Text] The activity of the Ministry of Industry of the Republic of Armenia and the Ministry of Light Industry of the Republic of Armenia in 1993 was the main item on the agenda of the meeting of the presidium of the Government of the Republic of Armenia held on 16 April under the chairmanship of Prime Minister Grant Bagratyan. A report on the results of the activity of the two ministries, presented by Minister of Economic Affairs of the Republic of Armenia Armen Yegiazaryan, noted that the volume of

industrial production produced by enterprises of the Ministry of Industry in 1993 amounts to 99.5 percent of the volume produced in 1992 and 74.3 percent of the volume planned for 1993. For enterprises of the Ministry of Light Industry, this volume amounts to 89.4 percent and 66.2 percent respectively.

In presenting the big picture of the activity of his department, Minister of Industry of the Republic of Armenia Ashot Safaryan paid particular attention to problems of stabilization of the economy and strengthening positions on the international market. Of 168 enterprises of the ministry, 94 enterprises provided the level of the previous year. In 1993 industrial enterprises adopted 417 new product designations and numerous new technologies.

In his report, Minister of Light Industry of the Republic of Armenia Rudolf Teymurazyan emphasized the introduction of advanced and energy-saving technologies. Of 134 light industry enterprises, 57 were able to provide the level of the previous year. Work is being done at 22 industry enterprises on uniforms and insignia for subunits of the National Army.

In the process of the exchange of opinions that unfolded after listening to the reports, the activities of the ministries were in general considered satisfactory. But at the same time some serious deficiencies and miscalculations were noted. It was recommended that special attention be paid to work on the establishment of reliable transportation systems and infrastructures.

## LATVIA

### Statistics on Migration for 1993

944K1025A Riga DIENA in Latvian 21 Mar 94 p 9

[Article: "Volume of Migration in Latvia Has Declined"]

[Text] The Latvian State Statistics Committee has compiled data and performed an analysis on the migration of inhabitants in Latvia in 1993. It shows that migration in the last year, in comparison with previous years, has declined. The number of inhabitants of the Republic of Latvia, according to inter-nation migration, has declined in 1993 by about 28 thousand people. The total volume of inter-nation migration (the total number of persons who have entered and those who have left Latvia as a place of permanent residence) in the last year, in comparison with 1992, declined by 39 percent, with emigration declining more rapidly—by 39.6 percent, than immigration—by 32.5 percent.

The decline in both immigration and emigration volume is attributed to the flow of immigration to our neighboring countries of Lithuania and Estonia, and especially to the CIS. Immigration from the CIS countries in 1993 declined by 38.2 percent, while emigration to these—by 41 percent. Emigration from Latvia to western countries in 1993 continued at the same volume as for the previous year—2,487 persons in 1992, and 2,319 persons in 1993. Emigration from Latvia to western countries continues to be almost 8 times greater than immigration from these.

The greatest effect of migration is the decline in the number of inhabitants of Latvia's largest cities of Riga, Liepaja, and Daugavpils, which could be considered as a positive result, and also in the rayons of Bauska, Cesis, Ogre and Preili. A positive migration balance in 1993 was found in the city of Rezekne and in the rayons of Rezekne, Kuldiga, Ludza and Balvi. But during this time period, no positive migration balance from abroad was registered for any of the cities or rayons of Latvia.

Statistical data show that the number of Latvians in cities continues to decline as a result of migration: in 1992 by 4.5 thousand, while in 1993, by 1.4 thousand. This indicates that Latvian families, for various reasons, are relocating to live in rural areas.

#### Migration of Inhabitants in Latvia in 1993.

Entered Latvia: 4,114 1,386 Latvians 1,932 Russians 214 Belarussians 203 Ukrainians 63 Jews 100 Poles 16 Germans 16 Tartars 53 Lithuanians 9 Moldavians 4 Estonians 118 representatives of other nations

Left Latvia: 31,998 1,004 Latvians 19,694 Russians 3,895 Belarussians 3,879 Ukrainians 1,224 Jews 548 Poles 252 Germans 226 Tartars 258 Lithuanians 139 Moldavians 40 Estonians 839 representatives of other nations

### "Accord" Faction To Be Split

944K1025A Riga DIENA in Latvian 21 Mar 94 p 9

[Article by Martins Kibilds: "'Accord' to Split into Two Factions"]

[Text] Riga, March 18. Today, the board of the People's Accord Party, which had been led by Janis Jurkans, adopted a resolution on the creation of separate Saeima factions. Saturday, the other "Accord" group of deputies—the Economists Union, led by Edvins Kide, will hold a founding meeting, which will likewise resolve to create its faction.

Next week, J. Jurkans and his followers will sign a statement announcing the formation of the faction and present it to the Saeima Board of Officers. Accordingly, already next week, in place of the current faction Accord for Latvia, there will be two independent factions in the Saeima.

The People's Accord Party (PAP) faction will have four deputies—J. Jurkans (faction chairman), Ludmila Kuprijanova, Igors Bukovskis and Andris Ameriks. The founding document of the Economists Union (EU) faction was signed by seven deputies—E. Kide (chairman of the former Accord faction and, apparently, of the new faction), Vilnis Bresis, Irene Folkmane, Juris Janeks, Janis Lucans, Leonards Stass, and Jevgenijs Zascerinskis. Two deputies—Ernests Jurkans and Eriks Kaza, who, in their voting, have not infrequently shown their support for the ruling coalition, have not joined with any of the potential factions for now, but if they do join, it will probably be the PAP.

The first signs of a split in the election union of Accord for Latvia—Rebirth of the Economy, which shortened its name in the Saeima to Accord for Latvia (AL), were already evident in the fall of last year.

Differences in the viewpoints of the factions did not permit the formation of a unified political party, although the AL deputies promised that they would remain united at least in the Saeima. Even though both sides are still keeping alive the idea of the formation of a united voting bloc, which would be permissible in accordance with the Saeima's rules of order, neither of the sides is exhibiting any particular enthusiasm.

"We could create something similar to the National bloc, but we can already see that the effect of such a bloc is doubtful," admitted J. Jurkans in a conversation with DIENA. When the other leader—E. Kide, was asked whether the formation of the bloc was a reality, he told DIENA: "We will take a look at the other side's position. At present, such a development is not out of the question".

The main reasons for the split according to J. Jurkans were the other side's inconsistent policies, the realization of the pre-election program, and he was particularly embittered about E. Kide joining the ruling coalition in the projected citizenship law. E. Kide, in turn, is more at ease and feels that there are no main differences in opinion between PAP and EU, although their programs differ primarily in



"nuances". He does admit, however, that these "nuances" do not permit the Accord unity to exist.

Despite the split of the third largest faction in the Saeima, which is the first largest since the election, the overall political picture in the parliament will not change—and both J. Jurkans and E. Kide are in agreement on this. Neither of the new factions sees any reason to change its present viewpoint and show more favor towards the ruling coalition.

#### **Former U.S. Official Appointed Civil Service Chief**

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[Article by I. Randers: "First Professional Official Starts Working for State"]

[Text] Today marks one week since the Cabinet of Ministers confirmed the position of the first professional official—INDULIS TUPESIS was named State Civil Service Administration Chief. In January, he moved from the United States to live in Latvia permanently, and will be the person who, within the so-called reform program for officials, will organize the certification of all officials (approximately 30 thousand, in total)—the first step toward the creation of a staff of professional officials, because, until now, it seems that the officials employed here have only been amateurs.

At present, the new Chief of the Civil Service is compiling a list of positions for all state ministry officials, which will then be reviewed and confirmed by the Cabinet of Ministers. As soon as the Saeima adopts the law "On the State Civil Service" (at present, it has only been adopted in the first reading), the commission set up by I. Tupesis and confirmed by the Cabinet of Ministers will start the certification of Latvia's officials.

The very first to be certified will be the state secretaries of the ministries (for example, the State Secretary of the Ministry of Agriculture is J. Lapse). Those who pass the

certification examination (first, a questionnaire to determine whether the applicant meets the requirements as prescribed by law, second, an essay, and third, a conversation or "interview") will be granted a standing as candidate for official, which will give them the right to receive an increase in salary. In order for a candidate to become a professional official, the applicant will have to complete several years of studies at the newly established State Administrative School.

The State Civil Service Board reports to the Ministry of Reforms. As I. Gailis, the Minister of Reforms told LAUKA AVIZE, I. Tupesis was named chief of the board as a result of a competition held by the Ministry. While I. Tupesis, as a Latvian from exile, has one drawback—a temporarily poor understanding of local conditions—with his knowledge and experience (for 20 years, he has worked in the Civil Service of the United States in America, Europe and Japan), he has still managed to surpass the local applicants for this responsible position.

I. Tupesis is 43 years old. He came to Latvia for the first time in October of last year, and at that time decided to relocate here permanently. He is a dual citizen of Latvia and the United States of America. His last place of employment in the United States was Director of Contracts for the Naval Regional Contract Center in Washington. He has received his education from the Munster Latvian High School, the universities of Wisconsin and California, the Kennedy School of Government, the United States civil service administration's higher education institute in Virginia (the main topic of studies—how to deal with staffs of officials in a democratic country). He is fluent in English and Latvian, and has some knowledge of German and Italian.

In contrast to his brother, Saeima deputy Janis Tupesis (he has another brother, who works in the United States civil service, and a sister, who teaches English in Poland), Indulis is not considering a political career in Latvia. The civil service law will contain the regulation that an official cannot be a member of any party, work in a side position, accept a post in a state or private business organization,—and the first professional official in the state must set the example.

I. Randers A. Jermaks, photo.

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**DATE FILMED**

16 JULY 1994